NANCIAL TIMES



Time to inject some passion

Dominique Moïsi, Page 14



Single currency



Knocking on

Survey, separate section

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the EU's door

TUESDAY DECEMBER 9 1997

BUSINESS NEWS

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: Conferences. Page 6;

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a pan-European conference,

setting hones for a compromis

n European Union plans for

astern enlargement. Page 2

The European Union needs to expand eastwards if the planned

countries is to succeed, says the

US ambassador to Nato. Page 2

Global financial turmoil could

introduction of European eco-

nomic and monetary union.

Draft copyright law criticis

A draft law on copyright protec-tion due to be adopted by the

has been attacked by the record-

Czech government talks President Vaclav Havel of the Czech Republic called on Josef

The leader of the pro-British

strengthen the relationship

as part of a settlement at the

Lower rates for Japanese

Mr lp the banking sector. Page 8; lead lands, Page 26

Democrance anoists successor and thilippine President Fidel Ramos

corprised political observers by

endorsing Jose de Venecia, speaker of the lower house, as his

successor in presidential elec-

example, Observer, Page 15

Reluctance by rich and poor

countries alike to accept people

leeing persecution and conflict

gees with nowhere to run, says

the UN refugee agency. Page 6

Polisk roed funds needed

An ambitious tell read

Markets

to provide more money or

has left growing numbers of refu-

programme could stall unless the

Polish government decides soon

tions next May. Page 8: Shining

international markets for Japanese banks fell after some OL politicians suggested the govern-ment should sell US bonds to

Ulster Unionist party. David Trimble, urged the government

between the republic and the UK

Northern Ireland talks. Page 10

The cost of borrowing money on

Lux, leader of one of the coalition

parties in the last government, to start talks on forming a new administration. Page 3

warms the UN. Page 2

to protect artists' rights.

rights, Page 24

of European Union member

apset the economic convergence

states next year and threaten the

ment of the Nato alliance

enlargement of the Nato allia to include eastern European

rial Comment, Page 15

Ramadan flew to

Voivo unveils three-year strategy to boost growth

Volvo, the Swedish automotive group, has unveiled a three-year plan to cut purchasing costs, slim management and lift productivity by 5 per cent a year. Page 17; Interview with Leif Johansson.

Yukos, the giant Russian oil company has spent \$800m in a privatisation auction to acquire a 45 per cent stake in Eastern Oil. It has also bought shares in the market to take its shareholding above 50 per cent. Page 17

held since 1834, will cease early next year, extinguished by inter-national competition and computer screens. Page 16; Commodities. Page 28

ABN Amro, the Dutch bank, is to become a member of the UK's "Chaps" (Clearing House Auto-mated Payment System) high value payments system. Page 10

the German printing press group, saw its shares rise more than 4 per cent on their debut on the Frankfurt stock exchange yesterday. Trading opened at DM100, compared with a DM96 offer price; the shares closed at DM100.50. Page 19

the French state-owned bank, has seen six top executives resign new management. Page 19

AT&T's new chairman, Michael Armstrong, has cut his compa-ny's ties with DirecTV, the satelite television business he once headed, ending a relationship intended to spearhead the US telecommunications company's push into television. Page 17

Dow Jones and NBC, owned by General Electric, are to announce European Commission tomorrow a global television and internet joint venture. The new alliance will branded CNBC, a service of ing industry, which claims it fails both NBC and Dow Jones. Page 2: Court upholds trademark

> **Interbrew** of Belgium and Venezuela's Cisneros Group have inaugurated a \$150m brewing plant in Venezuela, the first in a new joint venture that hopes to expand aggressively in the Latin American market. Page 21

George Walker, the former British boxer declared bankrupt with the collapse of his Brent Walker empire, has signed a \$4m deal to open betting shops across Serbia and Montenegro. Page 23

APL the UK packaging and coatings group, said the strong pound, rationalisation and destocking by the tobacco industry would affect profits for the current first half, as it reported a 29 ner cent rise in full-year pretax profits. Page 23

Daewoo, South Korea's fourthlargest conglomerate, has agreed to buy 53.5 per cent of Ssangyong Motors for an amount still to be negotiated. Daewoo will assume Von2,000bn (\$1.6bn) of the troubled carmaker's Won3,400bn debts. Page 17; Lex. Page 16

Dahra Securities, the Japanese broker, has announced the largest share buy-back to date in the country's financial sector. The company said it planned to spend up to Y25bn (\$192m) purchasing up to 50m shares between now and next June. Page 21

Toyota, the Japanese carmaker, will resume production in Thai-land in January after suspending operations for nearly two months because of the sharp fall in demand following the Thai currency crisis. Page 20

Deal will cost 13,000 jobs

SBC comes out on top as **UBS** merger boosts shares

By William Hall in Zurich and Clay Harris in London

Swiss Bank Corporation has emerged on top in its merger with the larger Union Bank of Switzerland, a deal that will create the world's second biggest bank in terms of assets. The merger announced vester-

day will cost 13,000 jobs and lead to a pre-tax restructuring charge of SFr7bn (\$4.9bn). The new bank, to be called United Bank of Switzerland, will also be the world's largest global

asset manager, in charge of funds approaching \$1,000bn. Both banks' shares jumped sharoly.

The deal is a thinly disguised akeover by SBC even though UBS shareholders will own 60 per cent of the merged bank's shares, and its initials survive in the new name. Mathis Cahiallavetta, 52, UBS's chief executive, will be hairman but Marcel Ospel, 47. his SBC counterpart, will be chief executive. Three of the four core businesses will be headed by SBC executives. Nearly a quarter of the banks'

66,000 employees will lose their obs, with a 7,000 cut in Switzerland accounting for more than half the reduction.

Georges Blum, SBC chairman, said neither of the banks had the individual strength to succeed in the long haul, particularly in comparison with US competitors. To defend and build our market share, we need to make enormous investments. Together, our chances of success are significantly greater."

Both acknowledged that Switzerland's banks had lost ground against competition. The merged bank was designed to be a "strong new contender" in international banking.

The new bank aims to raise its net profit to SFr11bn and its annual return on equity to 20 per cent by 2002, compared with this year's projected figures of 13 per

cent for UBS and 15 per cent for SBC. It expects annual savings of

Investment banking activities will be centred on SBC's Warburg Dillon Read subsidiary under its chief executive, Johannes de Gler. Mr Cabiallavetta said: "The overwhelming reduction will come from our side." But he said: "Regardless of where the people come from, the best will be

Mr Ospel said any serious approaches for surplus parts of the UBS investment banking business would be entertained, but such disposals were not part of the banks' strategy.

Mr Cabiallavetta told analysts

in London that once the merger was completed, he would not rule out a US investment banking acquisition.
A priority area for profits

growth is private banking, where the minimum threshold for customers' wealth will be increased to SFrim. They will also try to carve out a "premium retail" seg-ment outside Switzerland for customers with assets of SFr100,000 to SFr1m. The merger is subject to

approval by Swiss regulators and the European Commission. Shareholders will vote on the deal on February 3 and 4. The new group will have its headquarters in Zurich, UBS's current home, but the three of its four core divisions will be based else-UBS shareholders will get one

new share for each registered share, and five for each bearer share. SBC shareholders will get 14 new shares for every 13 they own. UBS bearer shares soared 11 per cent, by SFr215 to SF12,165, while SBC added more than 5 per cent, adding SFr25 to SF1472.5.

> Editorial comment, Page 15 SBC grabs top jobs, Page 18

Gore hints at global warming compromise



Al Gore, US vice-president, said yesterday be was 'cautiously optimistic' that a deal to curb emissions of greenhouse gases could be reached at the UN global warming conference in Kyoto. Mr Gore said he had instructed the US delegation to 'show increased negotiating flexibility'. Report, Page 16

Ex-minister tells Russia to get tough on tax dodgers

Fyodorov calls for revenue collection improvements

The Russian government should launch bankruptcy proceedings against the 100 biggest corporate tax debtors and prosecute a handful of tax-dodging "stars" to raise additional revenue, Boris Fyodorov, the former finance minister, said yesterday.

Mr Fyodorov, who has been repeatedly tipped to take over as Russia's chief tax collector as part of a forthcoming "fiscal action plan", said the government had to start scaring people to pay taxes if it wanted to overcome its budgetary crisis. The government should there-

fore declare the heavily-indebted Zil car plant bankrupt and put Alla Pugacheva, the country's most famous pop singer, in prison if it is proved she has not paid her taxes, Mr Fyodorov said. Such measures would show that could raise the government's tax could only work as a non-execu- be unified, and extra resources take by 10-20 per cent.

"We have never for a single remained an MP.

moment in the past seven years had a politician in this job rather than a bureaucrat - who could demand things and act tough," Mr Fyodorov said. "Whois afraid of [Alexander] Pochinok? [the current head of the state tax service)," Mr Fyodorov

The appointment of Mr Fyodorov would certainly be warmly welcomed by international financial institutions, which have been pressing Russia to improve revenue collection and overhaul its primitive and punitive tax had been implicit in the conver-

You have to use both the stick and the carrot," Mr Fyodorov said in an interview with the Financial Times. "You should hit people hard but you should always give them some incentives to act properly."

about his desire to return to gov- police, currently divided between the government was serious ernment. He said he was "bored to death" with parliament and tive chairman of a bank while he were needed to improve the qual-

"It is a question of what you want to do with your life. Do you just want to hit your head against a brick wall or do some thing concrete which is very helpful to your country?" he said. Mr Fyodorov said he had

recently met Victor Chernomyrdin, prime minister, to discuss the current financial crisis and to apologise for some intemperate remarks he had made in the past. But he stressed he had not received any job offer from Mr Chernomyrdin - although this sation.

"I excused myself for some of the personal attacks I made on him. I did not stop criticising the government but I accepted that some of my remarks were insulting," be said.

Mr Fyodorov added that Rus-Mr Fyodorov left little doubt sia's tax inspectorate and tax the finance and interior minis-

France seeks broad Emu membership

and Andrew Jack in Parls

France is pressing for a European economic and mone-

The French approach to Emu office six months ago.

a Franco-German axis to the exclusion of other countries.

When you take the historic broad-based membership of step of integrating Europe, you don't do it with a small group of tary union to avoid the single five or six countries," be said. He currency being restricted to a envisaged "most European coungroup of five or six countries at tries will participate at the out-

In his Socialist Party's election was spelled out, ahead of this manifesto, he insisted that Italy week's summit of European and Spain take part in the first wave of countries joining the euro, the name for the proposed ister, in an interview with the single currency. He appeared confident that both these

Continued on Page 16

Union leaders in Luxembourg. by Lionel Jospin, the prime min-Financial Times – the first with a foreign paper since he took He also said he did not wish a France's new champion, Page 15



COMMENT & ANALYSIS

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EMERGING MARKETS

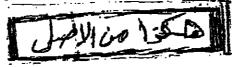
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Currencies 25



Bardy 1.64 mm thick, a hand-wound movement beats unerringly within a yellow or white gold case's purebred slimness. Les Essentielles, by Vacheron Constantin. Discretion in space and time.





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Plans for pan-European conference receive blow ahead of EU summit in Luxembourg

Greece threatens to block

By Lionel Barber in Brussels

Greece last night threatened to block plans for a pan-European conference, upsetting hopes for a compromise on the European Union's plans for eastern enlargement at this week's summit in Luxembourg.

The Greek threat risks disrupting a difficult balancing act for the EU as it seeks to accommodate central European countries on a fasttrack for membership, disappointed candidates, and Turkey's for membership, an unprecedented long-shot application to join the step.

yesterday's EU foreign ministers' revealed deep divisions between northern and southern member states over the financing of enlargement.

Greece's action could jeopardise the EU's delicate negotiations with Turkey, which aim to coax Ankara into supporting efforts to reach a . settlement in the divided island of Cyprus. EU leaders had planned to declare at the Luxembourg summit on Friday that Turkey is eligible

The Franco-German backed

European conference is viewed as a pan-European conference includ- how far candidates comply with countries, Cyprus and Turkey would be invited to attend.

Theodoros Pangalos, Greek for eign minister, said last night Athens supported the principle of nia, Romania, and Slovakia opening accession negotiations with all 10 central Europeans without discrimination. Such an applicants would be included in a tance of international law and approach would render the idea of so-called "screening process" to see

meeting in Brussels, which key element in the package on ing Turkey superfluous. The major- the acquis communautaire, the oblieastern enlargement. It would take ity of countries, however, endorsed place in February 1998, before the European Commission judgaccession negotiations with a ment that the Czech Republic. favoured group of applicants. All 15 Hungary, Poland, Estonia, Slovenia EU member states, the 10 central and Cyprus were ready to open and eastern European applicant negotiations to join the EU, most likely starting at the end of March.

However, a Danish-Swedish proposal for reassuring those left behind - Bulgaria, Latvia, Lithuaseemed likely to be adopted at the summit. Under the plan, all eastern

gations of membership including compliance with the single market.

Robin Cook, British foreign secretary, said Britain supported an "inclusive" process while keeping faith with those countries who made active progress toward mem-

Despite his hard line stand, Mr Pangalos was careful to set out conditions for participation in the pan-European conference, including demands for a free press, acceprespect for human rights.

NEWS DIGEST

Serbia faces fourth vote

Serbia will have to go to the polls for a fourth time to find a successor to President Slobodan Milosevic after Sunday's election, which produced no outright winner, officials said yesterday.

Preliminary results showed that Milan Milutinovic, the candidate of the ruling Socialists, did better than expected, winning 41.5 per cent of the vote. Mr Milutinovic, the current Yugoslav foreign minister, will contest a run-off on December 21 with Vojislav Seselj. leader of the ultra-nationalist Serbian Radical party who polled 33 per cent. Five other candidates trailed well

Mr Seselj, who has been denounced as a fascist by the US envoy to the Balkans, defeated the previous Socialist candidate two months ago but was denied victory by a turnout that fell short of the required 50 per cent.

Mr Milosevic's proxy could be poised for victory but once again Serbia might be left without a president if voters stay at home in large numbers. This is no serious problem for Mr Milosevic, now the president of lederal Yugoslavia, who has installed a loyal ally as speaker of the Serbian parliament, a postion that includes the powers of acting president. Guy Dinmore. Belgrae

DEUTSCHE POST

Move to save liberalisation

A last-ditch effort was launched yesterday by Germany's governing coalition to save its step-by-step liberalisation of postal services. The collapse of talks over its proposed post industry bill had left the country facing the prospect of having no post law from January.

Late on Sunday, negotiations failed to bridge differences with the opposition Social Democratic party (SPD) over the liberalisation bill which would protect Deutsche Post's monopoly for standard letters under 100g for a transitional period.

Existing legislation expires at the end of the year. If a deal is not reached tomorrow, when a parliamentary conciliation committee meets, Deutsche Post could in theory face unlimited competition. But, in practice, the threat of subsequent retroactive legislation is likely to put off potential new investors. The SPD wants to stop rival post companies employing low-paid workers, particularly those who earn less than DM610 (\$345) a month and consequently pay no social insurance.

The government has already said it will compromise on the weight limit for letters. In a further concession, Peter Hintze, secretary general of Chancellor Helmut Kohl's Christian Democratic Union, indicated yesterday that compromise might be possible on general limits on Ralph Atkins, Bonn "DM610 iobs".

POLISH POLITICS

Solidarity sets up new party

Marian Krzaklewski, the head of Solidarity Electoral Action (AWS), the coalition which won Poland's parliamentary elections in September, has launched a new Christian Democrat party to act as the Solidarity trade union's political wing.

The AWS Social Movement will propagate "basic Christian principles in education, the economy and public life," Mr Krzaklewski said yesterday. He added that 10,000 people were working to organise the movement, which would have 200,000 members by the middle of next year.

The move is designed to discipline the AWS parliamentary caucus, which controls 200 seats in the 460 seat parliament, by uniting the many small groups in the AWS coalition. It is also aimed at winning local government elections next year and providing a political base for an expected bid for the presidency by Mr Krzaklewski in 2000.

The registration of the new party comes soon after Lech Walesa, former president and Solidarity leader, registered his own political party, called the Christian Democracy of the Third Polish Republic. Mr Walesa, who is thought to be considering running for the presidency in three years' time, denies his movement will be a rival to Mr Krzaklewski's party. Christopher Bobinski, Warsaw

ITALIAN BUDGET

Opposition plans new attack Italy's centre-right opposition, encouraged by government

concessions over its plans to cut pensions spending in next year's budget, is promising a tough attack on moves to reduce the pensions rights of self-employed workers. As the government launches the final leg of its attempt to get the 1998 budget passed before the end of this year. enior opposition politicians have said they will seek further concessions, demanding that the age at which self-employed workers can retire should be reduced from

The opposition has also said it will table an amendment in parliament that commits the 1999 budget to a range of tax reductions. These, it says, can be funded by cuts in debt repayments that are expected because of the anticipated reduction in interest rates next year.

■ GERMAN ARMY

Row over 'Nazi' lecture Volker Rühe, the German defence minister, suspended a lieutenant-general yesterday and ordered disciplinary

proceedings against a colonel over revelations that a convicted neo-Nazi was allowed to address soldiers at an elite military academy. Mr Rühe acted in response to a preliminary defence

ministry report into an invitation to Manfred Röder, who served eight years in jail for a racist bomb attack in the 1980s, to give a talk in 1995 at the academy in Hamburg. The affair, revealed by Der Spiegel magazine, is the

latest and potentially the most damaging in a string of incidents linking the German armed forces with right-wing extremism. It damaged the army's efforts to distance itself from the aggressive militarism of Germany's Nazi past, and prompted opposition calls for Mr Rühe's resignation.

Mr Rühe told a news conference said there was nothing to suggest that those responsible for Mr Röder's invitation were aware of his background or had neo-Nazi sympathies. He said the talk by Mr Röder, a 68-year-old former lawyer, whom he described as "one of the most disgusting neo-Nazis", had caused severe damage to the reputation of the army and the Hamburg academy.

Reuters, Ronn

■ BASQUE CONFLICT

Eta prisoners moving

The Spanish Interior Ministry announced yesterday that it would transfer 15 jailed members of the armed Basque separatist movement Eta to prisons closer to home. The prisoners in question are currently in jails in Spain and its overseas territories. The grouping together of inited Eta members has been one of the organisation's long-standing demands.

After a meeting last month with representatives from Basque political parties, Jaime Oreja, interior minister, promised to implement a "more active penal policy". Yesterday's announcement came days after the jailing of 23 leaders of Eta's political wing, Herri Batasuna. They had been sentenced to seven years for collaborating with an armed organisation.

EU expansion urged to help support Nato

US ambassador decries lack of co-ordination about policies on enlargement to the east

Alexander Nicoli in London

The European Union needs to expand eastwards if the planned enlargement of the Nato alliance to include eastern European countries is to be a success, Robert Hunter, US ambassador to Nato, said vesterday. "Unless the EU does its

Global turmoil

run-up to Emu'

'could upset

and political stability in new Nato member countries. "we are going to fail". Mr Hunter said in an interview with the as if they were on different Financial Times as Euro-planets". pean leaders prepared for decisions on admitting new EU members later this week. Mr Hunter, retiring after 41/2 years in Brussels, recal- nia after the June 1998 led Nato was set up after the

prosperity could be re-built in a secure environment. Nato was fulfilling a similar role now for eastern Europe after the Cold War. Although Mr Hunter acknowledged Nato expansion was easier because it was cheaper and US-led, he decried the lack of co-ordination between the job" in holstering economic EU and Nato and noted they had been described as "two institutions based in the

> Mr Hunter displayed neartotal confidence that Nato forces, including American troops, would stay on in Bosexpiry of their present man-

same city but which behave

confidence that European the US government had democracy and economic made no decision on staying. Discussion on a follow-on force would centre on what non-military tasks could be carried out by people other than Nato troops, and especially on policing.

He warned Bosnians against depending on "an open-ended engagement of outsiders" and said Nato's mission should change to reflect that "the big problems are in the civilian arena, the building of institutions, return of refugees and at some point dealing with war criminals".

Strong support for keeping troops in Bosnia came yesterday from British members of parliament. The House of Commons defence commit-



A Bosnian Moslem boy collects water in Brod, north of Tuzla, under the watchful eye of US troops providing security for refugees returning to their pre-war home

on a three-year plan and be readiness and training are fully integrated with a comprehensive strategy for civilian implementation."

well below Nato standards. according to a report in the US publication Defense • Large parts of the mili- News, which quoted classitary infrastructure of fied Nato documents. Poland, Hungary and the Nato officials, confirming in 1999, would have to be Czech Republic are obsolete it had found shortcomings, funded by them.

mandate "should be based and their levels of combat said commonly funded costs of expansion could be contained within the \$1.3bn estimated by the alliance and said improvements in the armed forces of the three countries, due to join Nato

attacks

draft

authors.

copyright

A draft law on copyright

attacked by the interna-

tional recording industry for

failing to protect the rights

of copyright holders such as

musicians, publishers and

IFPI, representing more

than 1.300 record companies

worldwide, says poor draft-

ing has created a loophole

allowing hardware manufac-

turers to sell devices facilita-

ting illegal copying and

piracy. The devices would

allow people to circumvent

encryption designed to pro-

tect music distributed "on-

line" in a digital form from

illegal copying, the organisa-

IFPI is one of several lobby

groups recently criticising

the commission's copyright

initiative. Software and

hardware manufacturers,

rights holders, telecoms

companies and service pro-

viders, all with different

demands, have complained

"There are so many com-

peting interests that what-

ever we do someone will be

take well over a year. Once

adopted by the commission.

It will be passed to the mem-

about the contents.

by the European Co

By Frances Williams in Geneva

Global financial turmoil convergence of European Union member states next year, threatening the successful introduction of european monetary union (Emu). the United Nations Economic Commission for Europe says in its latest economic bulletin.

The crisis in east Asia, and an expected tightening of monetary policy in the US. were likely to affect some European nations more than others, which could provoke conflict among EU members as to the best response to changing economic pros-

"This would not be a favourable environment for the introduction of a single currency...at the beginning of 1999," the UN/ECE comments. Current forecasts suggest economic growth in western Europe as a whole could pick up slightly to just under 3 per cent next year from an estimated 2.6 per cent this year, but the outlook was clouded by uncertainty about the effects of global financial turmoil.

The run-up to Emu would involve a convergence of short-term interest rates to about 4-4.5 per cent next dependence by some counyear, equal to a tightening of monetary policy in France. Germany and several other countries. Given low inflation and the risk to economic activity of the crisis in international financial

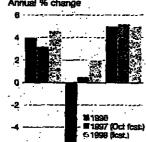
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Russian CETE-5 Federation

markets, "such a tightening would not be appropriate." In a special analysis of the potential impact of global financial disturbances on the countries of eastern Europe, the UN/ECE identifies the strengthening of the banking system as a priority for gov-ernments in the region.

Underlying structural weaknesses of the domestic banking and financial sectors were a main cause of the east Asian debacle. "Due to their immature

markets and weak institutional structures, the transition economies are especially vulnerable to such external shocks and pres-

Risk factors include overtries on volatile short-term capital inflows to finance external imbalances and excessive real exchange rate appreciation as in the Czech Republic, Slovakta and Slovenia.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE COMPANIES COURT
IN THE MATTER OF GRAND
METROPOLITAN PUBLIC LIMITED

IN THE MATTER OF NOTICE IS HEREBY GIVEN that a Pennior was on the 26th November 1997 presented it Her Majesty's Court of Justice for (A1 the sanctioning of a Scheme of

Armanyment, and 18) the confirmation of the Reakastot of the Capital of the above-named Company to cancelling shares of the said Company in accordance with the terms of the said Scheric AND NOTICE IS FURTHER given that the

Petition is directed to be maken become an injunies Court Judge at the Royal Courts of tice. Strand, London, WC3A 2LL on Monday 13th December 1947.

ANY creditor or shareholder of the said Company desiring at oppose the malang of ac Order for the confirmation of the said reduction of capital flowid appear at the time of hearing in person or by Coursel for that

purpose. A copy of the said Petition will be furnished to any person requiring the same by the undermembered solutions on payment of the regulated charge for the same.

DATED the 4th December 1947.

IBM takes a cautious Industry line on switch to euro



European economic and monetary of their transaction in union from other leading advance. This means compa-European companies. Philips of the Netherlands,

nal Business

and Daimler-Benz and Siemens of Germany have made commitments to switch over to the euro in 1999, IBM has chosen January 2001 as its conversion date. The delayed switch-over

uggests that multinational companies with corporate headquarters outside the European Union favour a staggered approach in their make a once-and-for-all cur-

Emu preparations.

A key reason is the priority they give to the year-2000 problem - the inability of many computer systems to cope with the change of year from 1999 to 2000.

Companies have latitude over the timing of the switch-over date for Emu because of the scheduled transition period from 1999 until 2001, during which the euro, the future single currency, will co-exist with national currency denomina-

Commercial and private rule of "no prohibition - no compulsion", which gives people and companies the free choice of using either euros or national denominations.

But the rule also gives rise to a problem for companies: they face the agonising choice of picking the right date to switch over their cost to industry of sorting

Internatio- internal systems out the millennium bug at Peter Cruttenden, director around \$300bn to \$400bn of process management at world-wide. The aggregate multinational IBM's European headquarfirms could respond to the

information ters in Paris and the compatechnology ny's Emu team leader, said ake a differ Preparing ent approach sion rule" in two different in its prepa- ways: for Emu rations for Supplier and customer agree on the denominations

nies must handle dual trans-While such companies as actions throughout their operations. Every transaction carries a "shadow" somewhere in the system. While this is the most customer-friendly approach, it is also the most expensive, because it requires the greatest administrative and technical overhead.

■ The alternative is a system of mixed inputs. Companies accept euro payments, rency conversion, and leave the rest of their internal systems on national denominations, until they switch-

over their entire systems. The second approach is cheaper because companies do not need to deal with dual data at every stage in the process, except at the input stage. It also gives companies the flexibility to choose their own Emu conversion

The disadvantage of this system is that the companies data before they have contransactions during that verted their internal period will be subject to the systems. Since computers may not be able to handle such transactions, manual inputs may be required.

Mr Cruttenden said the Emu switch-over in its cheapest version would still be 20 per cent more expensive than the repair of the year-2000 problem Experts have put the total

cost of switching systems to By Emma Tucker in Brussels prepare for Emu is widely estimated at around \$150bn. Mr Crutteuden, however, protection, due to be adopted sion tomorrow, has been

believes that the estimate for Emu vastly understates the real costs of the switch-over. IBM estimates that around 80 per cent of its information technology applications will be affected by Emu. "You cannot postpone the year-2000 problem," Mr Cruttenden said, "but Emu

It forces people to set priorities." IBM will be choosing the second option: The company will be able to handle mixed inputs until the end of the year 2000 During the twoyear period 1999-2000 customers and suppliers will have

allows you some flexibility.

actions in either national denominations or the euro. Mr Cruttenden added that IBM would prefer purely domestic transactions during that period still to be conducted in national curren-

the freedom to settle trans-

IBM has also decided to continue to use the US dollar as its in-house currency even in its European operations. By contrast, Daimler-Benz

and Stemens recently announced far more aggressive euro conversion stratewill need to deal with euro gies. Both will use the euro as sole in-house currency from 1999. Customers and suppliers - and possibly even employees - are expected to accept or render payments in euro from the conversion days onwards. This may even be true of EUbased suppliers based outside the Emu membership zone, for example in the UK or Sweden.

Wolfgang Münchau

unhappy," the commission says. "We think we have found the right balance." The directive, which aims to establish EU-wide rules for copyright protection in the digital age, faces hundreds of changes before it becomes law - which could

ber states and the Parliament for amendment Eacem, the European Association of Consumer Electronics Manufacturers, claims the protection rights in the directive are too restrictive and could denv the consumer a normal use of their audio and video

recorders.

entirely fail to strike a balance between the objective to prevent piracy and the legitimate aspirations of European citizens to have reasonable use of and access to information and culture in the Information Society," said Eacem.

"The current proposals

But IFPI argues that the result of the directive would road can only be built if the be "to undermine the ability Polish government decides of the music and other rights holding industries to use the encryption and other technical measures that, in the information society, will be the basic copyright management tool by which those ernment guarantees can be industries trade with mil-

lions of consumers".

Polish road funds needed By Christopher Bobinski by private commercial ven- to have told Leszek Balcer-

in Warsaw

An ambitious toll road programme could stall unless the Polish government decides soon to provide more money or guarantees, although under original plans the scheme was to have been funded primarily

by the private sector. Under plans mooted four years ago, state funding for the construction of 2.600km of highways was to have project are suffering delays been limited to 15 per cent of the cost, which was then that it cannot proceed withpredicted to be \$8bn over 15 out increased government years. The remaining funds support. were to have been arranged

tures, which are first to owicz, Poland's new finance build the roads and then to minister, that the governoperate them.

banks, companies and foreign road builders such as scheme, Strabag, was granted a concession to build a 364km Bank (EIB) insists that the stretch of the Warsaw-to-Berlin motorway. Now its efforts to raise funds from banks to finance the \$1.1bn as the consortium has found The EBRD is understood

ment will have to provide Last March Autostrada around Ecu150m (\$166m) in Wielkopolska (AW), a joint new financing for the initial venture grouping local A2 stretch if the Londonbased bank is to back the The European Investment

> to provide credit guarantees for loans. The EIB has said it is ready to lend up to Eculbn to Poland's overall road building programme if gov-

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Third of EU natural gas market to be liberalised

By Neil Buckley in Brunsels

European Union energy ministers last night agreed to open over a third of the EU's \$100bn-a-year natural gas market to competition, breaking the grip of monopolies in many countries by allowing big industrial gas

users to shop around for supplies. The accord would; need each

within two years of the new law energy to become a reality. being adopted, probably next year. Taking into account the difnational markets, officials said the deal would result in just over 33 per cent of the total EU gas market being liberalised by early

The agreement follows a simistate to open at least 20 per cent lar deal on electricity last year.

The deal was less ambitious than supporters of liberalisation, ferent size and structure of such as the UK and the Nordic states, had hoped, after France's energy minister Christian Pierret took a hardline stance aimed at protecting its gas monopoly, Gaz de France.

"favourable for French interests

construction". But Christos Papoutsis, EU energy commissioner, said it

would lead to lower gas prices for industry and, by cutting costs for gas-fired power generators, lower electricity prices. John Battle, UK energy minis-

ter, said liberalisation gained its Mr Pierret called the deal own momentum once markets were opened. "[Liberalisation of]

shown us that once the door is open, things move faster than

The European parliament can still propose changes to the plan. but ministers were optimistic it could be adopted before the end of the UK presidency of the EU

Under the plan, EU states must allow gas-fired electricity genera-

of its gas market to competition and will allow a single market in and for the process of European electricity and telecoms has tors and users consuming more liberalising a larger proportion of than 25m cu m a year to benefit their total market, would be from competition. If that does not allowed to limit market opening result in at least 20 per cent of to 30 per cent, though states are their total market being liberal- free to exceed this percentage. ised they must lower the con-

minimum percentage is met. But member states with a large

The consumption threshold sumption threshold to ensure the would fall to 15m cu m after five years, and 5m cu m after 10 years. The minimum percentages proportion of industrial users, for of market opening would rise to whom applying the same con-sumption threshold would mean same intervals.

kraine miners struggle to cope with bleak future

Britain is encouraging workers to re-adjust in the face of pit closures, writes Charles Clover

next decade.

The "Social Adaptation Centre" at the Myshketovskaya coal mine in south-eastern Ukraine consists of two desks, some well-meaning staff and several optimistic posters on

"You Don't Know What to Do Next? Come to the Cen-trel" commands one poster. Outside, Myshketovskaya is a quiet sea of mud and scrap iron where 500 miners

once worked. Last March, it became one of 28 coal mines in Ukraine earmarked for closure as the government tries to economise on the nearly \$1bn it pays, in subsidies to the

ndustry every year. Myshketovskaya is part of the Donbass coal basin, which at the beginning of tois century was one of the world's most prolific coal regions. It is now largely depleted and hundreds of thousands of jobs are threat-

At many of the mines, production costs have risen rapidly as coal veins run Up to 90 of Ukraine's 240

mines are loss-making. the government some 5 per cent of its yearly budget in subsidies, the coal industry has accumulated debts through. equivalent to \$3.2bn, or 7 per cent of gross domestic prod-

As a result, a decision was taken last year to liquidate the unprofitable mines. while the rest are to be pri-

Some 5,000 miners lost their jobs as a result of the them have found new work. The Social Adaptation said. Centre, sponsored by the UK Know How Fund, is one of a number of initiatives intended to help alleviate the dislocations caused by restructure.

centre last week was Britain's international development minister, George Foulkes. As an MP from a coal mining district in Scotland which 10 years ago In addition to costing went through the same trauma, Mr Foulkes had some idea of what Myshketovskaya's families are going

> He said that with the proper resources and training mining communities could pull through. "Not long ago I went to

visit an electronics factory in my constituency and found a lot of ex-miners. one of the heaviest indusclosures and only 446 of tries have now been retrained in electronics." he Ex-miners complain that

> the Ukrainian government has not been doing its share in helping the industry For example, while

\$500m from this year's budmonths of 1997, 90 per cent of it was spent by the coal ministry on operat-

much of it was earmarked

Where do you go

if your head's

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call centre?

This has led some observ-Despite the subsidies, the ers to ask what the Ukrai-

get in the first eight closures, which is what months on average and are owed some \$500m.

ing the money on and has closures in the 1980s caused the World Bank to "One of the freeze the second \$150m things we used to do tranche of a \$300m Coal Sec-

tor Adjustment Loan to the Without much support from the state, the liquidation of mines such as Mysh-

ketovskaya is proceeding By far the most difficult part is splitting off "social assets" - schools, kindergartens and hospitals - and handing them over to already burdened regional governments. So far. this has

not happened at a single Meanwhile, programmes such as the Social Adaptation Centre are intended to provide miners with the skills to survive in a job market, and nurture any entrepreneurial abilities

they have. Eddie Mardell, one of three consultants hired by the Know How Fund to help mitigate the social traumas of closing mines in Donetsk, is drawing on his experience working for British Coal during the mine

"One of the main was provide workspaces for entrepreneurs. We gave miners attractive low-cost loans, and we tried to nurture and generate new enterprises." he Ein .

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Already at Myshketovskava there is a functioning pasta factory in an old boiler room and a workshop where women make artificial flowers for funeral wreaths.

Vladislav Sokolovsky. director of the mine liquidation team, said they had even more ambitious plans, such as converting a garage into a service centre for Peugot and Renault cars.

Valentina Antonovna, who was a mine employee for 35 years, now has a new job as a counsellor at the centre, and summed up her feelings. "To be a good counsellor. you don't just need skills, you need spirit. All the 500 people who were discharged from their jobs - we know each one, like they are our

Havel starts talks on forming new government

in Prague

President Vaclav Havel yesterday called on Josef Lux, leader of one of the coalition parties in the last Czech government, to start talks on forming a new administration.

The president's decision, which comes sooner than expected, indicates he has bowed to the probability that the current coalition cannot be rebuilt and early elections will be necessary.
But it also underlines the

way Mr Havel, who has been months, has returned to the centre-stage in the wake of the country's worst political premier, is likely to try to opposition Social Democrats crisis for years.

premier, is likely to try to opposition Social Democrats assemble a cabinet largely are likely to join with Com-

The president had said he would wait for this weekend's leadership election in the ruling Civic Democratic party (ODS) but it now looks likely that Vaclav Klaus, who resigned as prime minister at the end of last month, will be re-elected as

Mr Klaus has said he will lead the ODS into opposition, and both the Christian Democrats, Mr Lux's party, and the rightwing ODA have said they will not work with



Vaclav Havel: a vital role

Mr Klaus. Mr Lux, who will from his party and the ODA.

But he will also probably include some non-partisan figures and ODS rebels. including, perhaps, Ivan interim non-political govern-Pilip, finance minister, out- ment but Mr Jiri Pehe, an side whose house a bomb exploded at the weekend. Mr Pilip hinted the bomb might be connected with his threat to investigate recent controversial privatisations.

Both the president and Mr Lux accepted that any new administration was likely to be only temporary until

Havel said: "In terms of the political development of this country, it is necessary for an early election, but I can-

The collapse of the government has given the president a vital role. But it is one tightly circumscribed by the existing political balance and the looming presidential election on January 20.

Mr Havel needs a majority vote in both houses of parliament but his continual criticism of the prime minister has put this in doubt, at least in the first round. While all mainstream parties support his re-election, elenot necessarily be the new ments in the ODS and the munists and Republicans to

vote against him. Mr Havel had been rumoured to favour an adviser to Mr Havel, said the party leaders would not tolerate it and that Mr Lux would give the government continuity and experience. Mr Havel will give a keynote speech today, highlighting the areas he believes the interim government and its

successor should address.

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Finland aims at being in the euro vanguard It wants a northern dimension for the currency

older buildings and statues in Helsinki, more than seven decades after Finland embarked on a brief but

The bullet holes have been left unrepaired, partly to remind Finns of the country's comparatively recent struggle for independence and its precarious position on Europe's northern frontier with Russia.

. 1

Last Saturday, the Finnish capital again echoed with explosives as fireworks marked the country's 80th anniversary of its independence from Russia. But the government does not intend to celebrate the anniversary by reliving past battles. instead, it is telling the 5.1m responsibility to inhabitants Pinland has champion the efforts of emerged as the only Nordic

ckser European integration. Unlike its neighbours Sweden and Denmark, Finland intends to become a founder hopes to use that status to a commitment on Nato create a "northern dimen- enlargement. sion" in management of the Sauli Niinisto, finance west and helped reassure

amage from shrap-nel and gunfire still ernor of the Bank of Finland scars some of the as possible head of the European Central Bank. He has underlined his EU credentials by vowing to exclude non-euro countries from the informal forum of single cur-reacy finance ministers.

We have worked hard to meet economic criteria even more demanding than those in the Maastricht treaty. Having done so, we don't see why countries outside the euro should be included in discussions about its imple-

mentation," he says. Tarja Halonen, foreign minister, describes Finland's 1995 entry to the EU as a watershed. She maintains that Euro-scepticism in Sweden and Denmark means Finland has been left with

Estonia, Lithnania and Latcountry in the vanguard of via to become EU members. By contrast, the Finnish Institute of International Affairs believes the government's foreign policy has member of the EU," says one member of the euro and been drafted partly to avoid

"Joining the EU has firmly this part of the world." anchored Finland to the

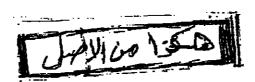
onistic by giving up neutralsays Tapani Vaahtoranta, institute director. But the country is not wholly united behind further EU integra-

Esko Aho, a former prime minister now chairman of the opposition Centre party. claims Finland is not ready for euro membership and erendum

Mr Aho, who negotiated Finland's EU entry, would prefer less emphasis on europarticipation and more on domestic issues, such as reducing unemployment and deregulating labour markets. "We have enough battles to face at home before rushing headlong into Emu." he

But the ministers who attended the independence ball are unlikely to pay much attention to Mr Aho's reservations. "We want to celebrate our future as a full senior government official "There is a real sense of optimism we can lead the way in

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Toshiba blames Philips for DVD delay

Toshiba, the Japanese consumer electronics group, is blaming Philips, its Dutch competitor, for the delay in introducing DVD-Video to

Originally, DVD-Video, the entertainment version of the as the hottest new electron-

postponed until next spring Video software. because the US movie studios could not deliver feature films on the new discs in time.

In yesterday's Les Echos, the French financial newspaadvanced compact disc billed per, Koji Hase, director general of Toshiba's DVD diviics product of the 1990s, was sion, is now blaming Philips

Mr Hase claimed that missing the Christmas market had cost the electronics and film industries up to FFr4bn (\$670m) in lost European sales.

If the launch had gone ahead as planned, some and Philips is the latest in a 400,000 DVD-Video players, series of conflicts to have

worth of software.

Philips dismissed Mr Hase's accusations as ent version of DVD-Video "untrue", but declined to comment further. "We don't want to get into a public fight over this," it said.

The row between Toshiba

Japanese electronics group, threatened to adopt a differtechnology to that favoured by the DVD Forum, a conmusical discs.

sortium of rival companies led by Toshiba. The two camps eventually reached a compromise, only for Sony and Philips to pit

telecoms

due to go on sale in Europe for the delay because of its in autumn.

The launch was initially encoding system for DVD
The launch was initially encoding syste recordable form of the new computer discs. More wrangles are now dogging the launch of DVD-Audio, the

> Toshiba's accusations against Philips highlight the bitterness of the rifts within the electronics industry on

in the region, the govern-

communist party has set an

ambitious target of achiev-

ing six telephone lines per

100 people by the millen-

nium, from almost two lines

However one difficulty for

US companies is that the

awarding of any contract

would represent a significant

strategic step for Vietnam

towards Washington, which

this year cemented cautious

military ties with Hanoi for

the first time since the end

Vietnam is also wary of

doing anything that would antagonise China, its arch

rival and neighbour with

which it fought a border war

in 1979. Dr Luong said Euro-

pean companies appeared to

be ahead in the game given

current restrictions on feder-

ally-backed finance cover for

of the Vietnam war.

NEWS DIGEST

Progress in **EU drugs talks**

European Union health officials and the pharmaceuticals industry yesterday declared "considerable progress" in talks aimed at unleashing full competitive forces on the European drugs market.

Drugs companies have complained bitterly they are undermined by government controls of pharmaceuticals prices which encourage dealers to export cheap drues from southern Europe to northern Europe, where drug prices are higher.

Martin Bangemann, the EU industry commissioner. said a consensus was "still some way off". But he said a three-stage strategy had been outlined which could begin to deliver concrete results within six months during the UK presidency of the EU next year. Mr Bangemann was hosting talks in Frankfurt between health ministries and the drugs industry about completing a single European

■ AIRCRAFT INDUSTRY

Airbus challenges Boeing

Airbus Industrie yesterday gave the go-ahead for the development of two new aircraft intended to break Boeing's bold over the large jet market. The aircraft, to be powered by Rolls-Royce Trent 500 engines, are based on the Airbus A340 model and will cost \$2.9bn to develop. The A340-600 will carry up to 380 passengers and will compete with the Boeing 777 and earlier versions of the 747.

The A340-500 will be a long-range aircraft, with 313 seats. It will allow airlines to fly non-stop from Toronto to Hong Kong or New York to Taipel. Both aircraft will have list prices of about \$150m each. Airbus has orders and options for 100 of the aircraft, with total sales, after discounts, of \$13bn. Rolls-Royce said it would earn up to \$4bn from the inital orders.

Michael Skapinker, Aerospace Correspondent

■ FINANCIAL SERVICES TALKS

WTO chief issues plea

Renato Ruggiero, director-general of the World Trade Organisation, yesterday appealed to countries negotiating a global pact to liberalise financial services not to let the best be the enemy of the good in the talks due to end on Friday. "We have a substantial harvest on the table, one which we cannot afford to lose," he said.

Mr Ruggiero's remarks appeared to be chiefly aimed at Washington, which is embroiled in a tussle with Malaysia over access to its market for US companies. Other trade diplomats say this has emerged as the main stumbling block to successful completion of the negotiations by next Friday's deadline.

Brazil handed its formal offer in yesterday, bringing the number of new and improved offers in this latest round of talks to 46, counting the EU as one. Offers from Indonesia Thailand, Romania and Colombia were said to be imminent. The success or failure of the negotiations is now seen as dependent on Washington's assessment of the improved offers. US industry representatives, who had seemed quite optimistic a month or so ago, were more downbeat yesterday.

"When you look at how few of the US requests to other countries have been met. I think it's worry time," said Frances Williams, Geneva

Canada warns Clinton against isolationism after WTO outcry

US President Bill Clinton needs to combat more effectively isolationist pressures in Congress, which threaten to create international discord and undermine the multilateral trade system, Canada's trade minister said

yesterday. Sergio Marchi accused Congress of taking an inward-looking "G1 view of the world", which assumed the US could prosper independently of other countries. and failed to grasp the importance of trade to its

Mr Marchi was particularly critical of the outcry in Washington over Friday's decision by a World Trade Organisation disputes panel to dismiss a US complaint that Japan had rigged its photofilm market against imports.

Those in the US who had reacted to the ruling by calling for changes in the WTO were setting "a very danger-ous precedent. We either set a 'GI view of the world' up institutions and believe in them, or let's not bother setting them up at all."

"It can't always be a case of heads I win, tails you lose. The multilateral system will fail that way - we've been down that road. It's not a question of who has the might to determine what is

Some Congress members wear as a badge of honour that they have never travelled outside the US", Mr Marchi said in an interview.



Sergio Marchi (left, with US commerce secretary William Daley): warned US against taking

the cause of multilateralising and liberalising trade". He expected Mr Clinton to

renew his request to Congress for fast-track trade negotiating authority and believed he would succeed, if he sought support outside Washington and appealed directly to the US people.

Mr Marchi praised Mr Clinton as internationallyminded and an accomplished pean Union and Canada

stand up more firmly to congressional opponents of free

If such attitudes prevailed, political operator. However, must stand united in oppos-

they would "cause friction the US president and his ing extra-territorial US legis-and division, and set back administration needed to lation, such as the Helms-

"Is the administration fighting the good fight? 1 don't mean to be critical... down, if one is honest that the administration needs to fight this trend and needs to do it more vigorously."

Mr Marchi said the Euro-

lation, such as the Helms-Burton and Iran-Libya Sanctions acts, and not allow Washington to play them off against each other.

He said he would also welcome closer European but I really believe deep involvement in the Asia Pacific Economic Co-operation forum, which Canada has chaired this year. However, the EU was reluctant to join a grouping which had already set its own trade pol-

ment wanted its own given Ten years after sending its rapid growth in domestic telecommunications. The Geneva-based telefirst and only cosmonaut into space on a Soviet-led mission. Vietnam's commucoms authority, the International Telecommunication nist government has revived Union, says Vietnam is the world's second-fastest growing telecoms market. The

Vietnam plans

satellite launch

its aeronautical ambitions to launch a \$200m-\$250m telecommunications satellite. The project, to be submitted to the government for approval next year, has generated intense interest from US and French telecommuni-

By Jeremy Grant in Hanoi

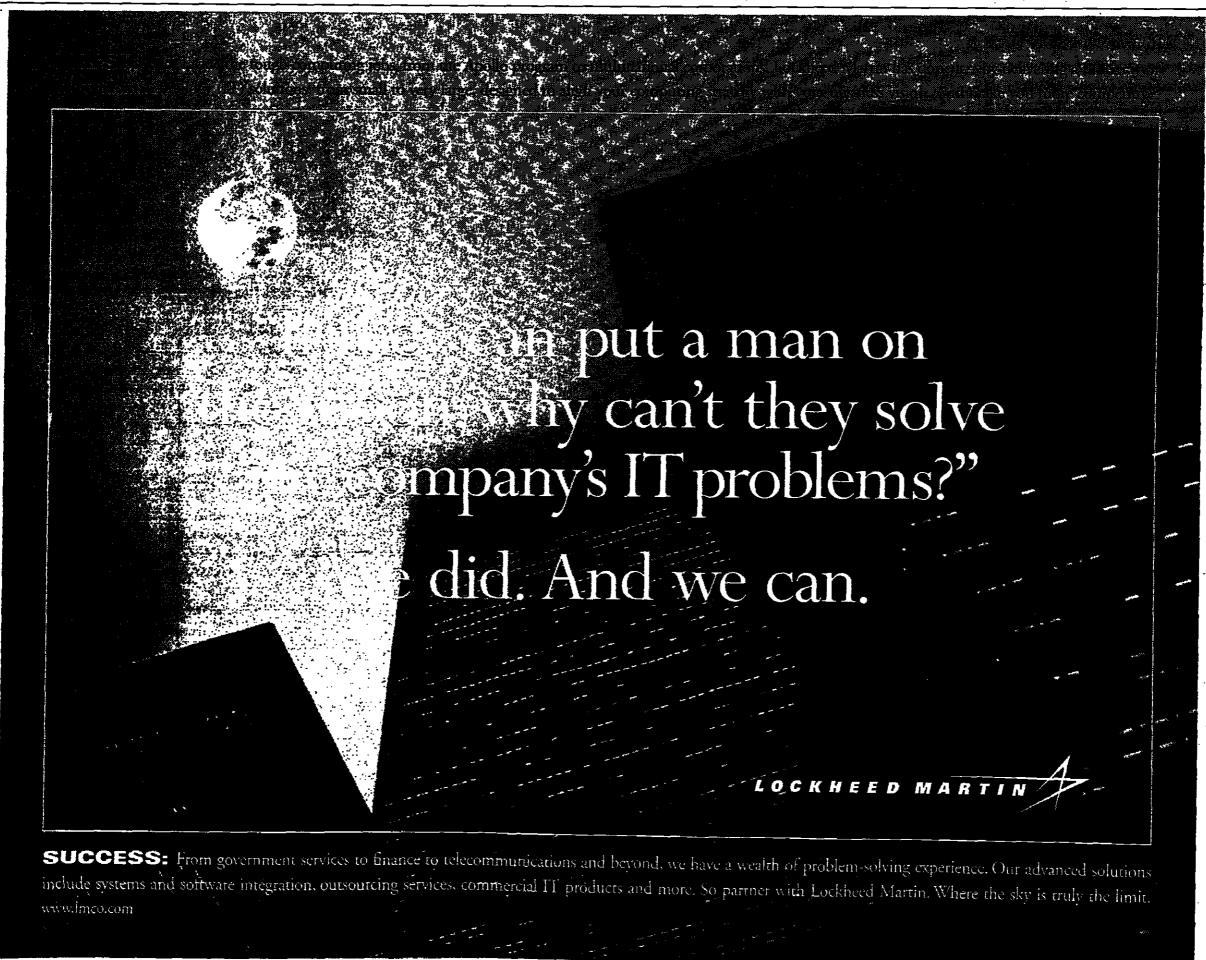
cations companies. Once per 100 people currently. ground facilities are included, the project's value could reach \$600m. Analysts say a fierce turf war is likely between Euro-pean and US telecommunica-

tions companies over contracts to sell and launch the satellite, which will partly be used for defence purposes. "This is going to be the first big political fight (in Vietnam) between the US and Europeans," one said. Interested parties include

Lockheed Martin, Hughes and Space Systems/Loral of the US, and Alcatel and Matra-Marconi Space from France, as well as satellite manufacturers from Israel, Russia and China. Dr Luu Van Luong, a

senior official in charge of the satellite project at the Directorate General for Posts Telecommunications (DGPT), Hanoi's industry regulator, said although Vietnam already leased services from existing satellites

US companies in Vietnam. An executive with one of the three US companies said: "At this point we're still in technical discussions, helping them understand what the requirements are. But we're not ready to do a deal yet." Bankers say also that the satellite will be difficult



Touress in LU drugs talks

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NEWS: INTERNATIONAL

China emerging as bad boy in pollution stakes

Rampant growth and heavy dependence on coal make China a villain in environmentalist eyes, writes James Harding

enough to make you want to leave the country: after the US, which is 178,000 people die each year because of pollution; the blood-lead levels of children in Shanghai and other large cities average 80 per cent higher than those considered safe for mental development; and the levels of total suspended particles and sulphur dioxide are two to five times World Health Organi-

sation guidelines. As China's economy has roared ahead at double digit growth rates in recent years. the volume of pollutants pumped into the atmosphere has soared, creating a range of health risks and threatening to export huge environmental problems beyond

Just as quickly the Chinese leadership has become keenly sensitive to environmental concerns, if the rhetoric and new regulations are a measure. The problem has heen how to enforce the new environmental protection laws on the ranks of China's troubled and ageing stateowned industries.

At an international level -Kyoto summit on climate change can testify - the challenge is to get China to sign up to binding global commitments while respecting the country's right to pursue its agenda for eco-

The urban pollution cent of the world's greenfigures for China are house gases, the largest contributor to global warming responsible for 22 per cent.

The overwhelming reliance in China on coal-fired energy is one of the chief sources of air pollution, one that has got worse as an expanding economy has driven energy demand. Coal use has more than doubled since 1980, reaching 1.3bn tonnes in 1995.

The World Bank calculates that if Chinese industry and energy consumption continues to grow in line with official forecasts - and without a proactive set of national

and international policies to address environmental damage - carbon dioxide emissions will produce 2,380m tonnes of carbon in 2020, nearly three times the 800m tonnes in 1995*.

With climate change models predicting an increase in the earth's surface temperature of 1 to 3.5 degrees celsius by 2100 and sea levels as delegates this week to the rising by 15 to 95 centimetres as a result. China is acutely aware that it may suffer devastating effects

Increased greenhouse gas levels will raise temperatures and cause more frequent storms, which would China discharges 14 per lower rice, wheat and cotton

level would threaten tens of millions of people living in low-lying areas - according to one Chinese study, a one metre rise could endanger an area the size of Portugal. threatening to flood cities such as Shanghai and Guangzhou, and displacing 67m people.

Like politicians elsewhere. Chinese leaders in the 1990s have been quick to see the political kudos in championing the environment. Song Jian, a member of the State Council. China's cabinet, for example, recently reaffirmed Beijing's commitment to protecting the environment.

A torrent of new regulations and international conventions has accompanied this rhetoric - over the last five years, the Chinese government has issued more than 110 environmental rules and laws and signed up to 10 international treaties on the environment.

But government officials privately admit that China fails to meet its own stan-

"Regulatory enforcement has been the weak link in China's system," says the World Bank, citing the patchy record of local authority enforcement. "Local governments face a trade-off between protecting the environment and safeguarding the financial and employment performance of

Future environmental

production. A rising sea measures will also have to go beyond the control measures of the past, the Bank argues. It suggests that China must harness market forces to work for the environment, using taxation to punish pollution, and it must commit higher levels of investment to clean and efficient technologies - pollution control investments will have to double to about 1 per cent of gross domestic The Kyoto summit has

offered a reminder of the diplomatic wrangles that dog environmental protection. China counts itself among the developing countries, which have threatened to reject US demands for binding commitments to cut greenhouse gases, arguing that they should not be required to sacrifice their development, but that richer countries can afford to take on the bulk of the costs asso-UN and the World Bank to ciated with controlling emissupport global environment sions.

projects, which has provided Liu Bin, associate professor of urban ecology and \$170m in grants for operations in China since environment economics at the Institute of National Economy, says: "The Chi-The regional evidence in nese government - and the China so far suggests that economic development. developing countries in genwhich has resulted in eral - always say that developed countries should have greater industrial output to shoulder the responsibiliand higher emission levels, may ultimately help improve ties to help developing countries combat environmental China's environmental record. A study of 50 cities in damage. This can be done by way of transfer of environ-China shows that as wages mental technologies." rise, the pollution density of Kyon China is the largest recipi-suspended particles falls - a ence

Murky outlook: Pollution clouds Beijing's Tiananmen Square during National Day in October ent of funds from the Global ment of regulations in richer Environment Facility, the international financial areas as well as more ineffi-

cient production in poorer

On a comparative basis in China, then, Shanghai where the economy has been growing at an average rate of 14 per cent in recent years, may not prove to be such a bad place to live after

*Clear Water, Blue Skies China's Environment in the New Century, World Bank

articles on issues facing the rise, the pollution density of Kyoto climate change confer

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Campaign | More refugees 'have nowhere to run' against Winnie intensifies

By Roger Matthews in Johannesburg

The African National Congress yesterday intensified its campaign to block the attempt by Winnie Madikizela-Mandela, former wife South Africa's presid to contest the deputy leadership of the party.

Ronnie Mamoepa, spokesman for the ANC. announced early yesterday that the ANC's women's league, which has nominated Mrs Mandela for the post, had decided to abandon her. He claimed the decision had been taken during a meeting of the executive committee on Sunday. Mrs Mandela is president of the women's league and at the last ANC conference in 1994 came fifth in the voting for the national

executive committee. But the league almost immediately contradicted Mr Mamoepa, describing his statement as "wholly incor-rect and devoid of all truth." The exchange underlined what a tough struggle Mrs Mandela is facing in her bid to force an election for the deputy presidency of the party, and the ANC leadership's determination to

quash her candidacy. The contest was given additional importance by the recent nine-day hearing of the Truth and Reconciliation Commission into the activi-ties of Mrs Mandela during the late 1980s when she headed the so-called Mandela United football club. During the hearings which conof witnesses accused Mrs Mandela of murder, kidnapping and torture - allegations she dismissed as "ludicrous and nonsensical".

Although some political commentators believe the accusations have irreparably damaged Mrs Mandela's political chances, the ANC leadership is less sure. Archbishop Desmond Tutu, who heads the Truth Commission, last week paid a glow-ing tribute to Mrs Mandela for her part in the struggle against the apartheid system, a role which has not been forgotten by the ANC | head of the Majlis (partiaactivists. Mrs Mandela ment's) foreign affairs comappeared to take heart from the warm public endorsement, even if it was made during an appeal for her to Iranian parlance for the apologise for things 'which went horribly wrong".
The ANC is hoping to

unite delegates to next comitant, perceived as US- ship ranks on the internaweek's conference behind Jacob Zuma, the party leader in KwaZulu-Natal, as deputy leader. He has won the endorsement of provincial issue of the conference bulle not omitted. delegations. However, voting | tin, reminds OIC members is secret, which in part that the organisation was explains the ANC's determi-nation to prevent a ballot. originally formed to defend all the signals we are getting the Islamic integrity of Jeru-from the government follow-

By Frances Williams

Reluctance by rich and poor countries to accept people fleeing persecution and conflict has left growing numbers of refugees with "nowhere to run", the United Nations refugee

report*, published yesterday, While the number of true refugees, defined as those that have crossed national ing and 10m had returned missioner, said yesterday ine refugees, diverting the home since 1990, the number that "an explosive mix of problem elsewhere and of people displaced in their factors" was responsible for increasing the scale of

zones in their home countries, the report added.

Of the UNHCR's own caseload, less than 60 per cent were refugees truly defined for which the agency has a clear protection mandate. The others comprised interagency says in its annual nally displaced people, returning refugees and others where the UNHCR could intervene only if asked to do

Up to 25m people, beyond ness, human rights abuses. Pressure by donor counthe 22m already cared for by economic decline and the tries for "quick-fix" solutions the UN High Commissioner targeting of civilians in an to refugee emergencies, and for Refugees (UNHCR), estimated 35 ethnic or com- poor nations unwilling to

abandon their homes, and world. Yet it was harder for many were trapped in war displaced people to find ref-

Industrialised nations had taken measures to deter people seeking refuge on their territory, only a minority of those who appled were given refugee status.

These measures had succeeded in cutting the number of asylum seekers from 800,000 in 1992 to about half a million last year, at the cost, the UNHCR said, of own countries continued to rising displacement, including "human trafficking" by rise. by ing the growth of stateless- organised gangs.

might have been forced to munal conflicts around the keep large numbers of refu-

eople of concept to URIHCH by category (total 22.72m)

gees on their territory, had have been repatriated under tary nor strictly safe".

UNHCR caseload

led to pressure on the some form of duress," the UNHCR to "support repatriation neither strictly volun-" The state of the world's refu-

gees 1997-98: A humanitarian A large proportion of the agenda. Oxford University world's recent returnees Press.

Iran looks for unity at Islamic conference

Robin Allen on scope of new consensus against 'hegemony of aliens and Zionist atrocities'

Islamic unity and of the Palestinians.

In a significant of the Talestinians.

Taba Yassin Ramadan, the from the traditions deputy prime minister of lraq. Iran's former arch enemy, flew into Tehran yesterday to join more than 65 delegations at the eighth summit of the Organisation of Islamic Conferences (OIC). The three-day summit. attended by 35 Islamic heads of state and government leaders, formally opens today Mr Ramadan is the most senior fragi to visit Iran since their vicious 1980-88 war which caused

over one million casualties. According to local analysts and western diplomats. Iraq's presence, together with delegates from Gulf and other Arab countries, long hostile to or suspicious of Iran's clerical-led Islamic revolution, demonstrates the degree to which Iran has President Khatami's. broken out of its largely

self-imposed isolation. it also gives the regime scope to create a new Islamic consensus against what Mohammad Larijani, the mittee, calls the "hegemony of aliens and the atrocities committed by Zionism" ~ political, material and cul-

n a symbolic show of salem, and the independence ing the return of European In a significant departure from the traditional protocol, neither President

Mohammad Khatami nor Kamal Kharazi, his foreign minister, will give the OIC's inaugural speech. Instead this will be delivered by Ayatollah Ali Khamenei, Iran's spiritual leader, whose authority overrides the president in

Iraq's presence helps symbolise Tehran's retreat from isolation many domestic and foreign policy areas, and whose tone and outlook in both areas has been notably harder and less accommodating than

However, observers say that both the tone and the substance of Mr Khamenei's speech will need to "fit the audience and the occasion", given the presence of many Islamic and Arab countries that have traditional and enduring links with the US, the European Union and

other western countries. The twin conference prioritles of building an Islamic tural onslaught from the consensus and reinforcing "heathen" west, and its con- Iran's return to the leaderbacked, Israeli occupation of tional stage could mean that Arab and Islamic territories. some of Iran's traditional At the same time, Mr Lari- and more inflammatory lanjani, writing in yesterday's guage is toned down, even if

"Violent rhetoric now would not be consistent with senior western diplomat yes

Two influences have been at play which should ensure a degree of moderation in conference speeches. The first is the presence of Saudi Arabia, which hosts the Jeddah-based OIC Secretariat, and which finances many of the summit's expenses including delegates' travel

The second is the presence, behind Mr Khamenei, of Ali Arkbar Velayati, foreign minister for most of the last 18 years since the Islamic revolution until he left the government in August, and now Mr Khamenei's leading adviser on international affairs. "He may be close to Mr Khamenei," remarked one Iranian observer, "but at the same time he supports the more practical-minded technocratic thinking represented by President Khatami and

his cabinet." An irony of the conference is that while Iran is trying to put its best international foot forward, its obsession with security ~ fear of its own radical revolutionary zealots exploiting the conference to make trouble - has caused the regime to isolate

itself from its own people. The government has closed not only international airports, but also all highways into the city and much of the northern residential part of the city

Tens of thousands of residents have been told to keep

NEWS DIGEST

Terror group in Egypt split

Islamist organisation has splintered its military wing and cast doubt on government claims that exiles were respon-sible for directing the armed unit which last month killed 58 foreign tourists and four Egyptians near Luxor.

Control over the armed elements of the Gama'a al-Isla-miyya within Egypt is in the hands of a four-member mili-tary council. Ultimate authority for military operations, which have killed 1,200 people since 1992, lies with Musta-

pha Hamza, in exile in Afghanistan. But a statement approved by Mr Hamza yesterday condemned the Luxor attack and called on the group's military units to cease all attacks on tourist targets within

ZIMBABWE DOLLAR

Strike threat adds to troubles

The Zimbabwe dollar came under fresh pressure vesterday ahead of the planned nationwide strike today called by the Zimbabwe Congress of Trade Unions.

The Zimbabwe currency, which had stabilised at about Z\$14.5 to the US dollar last month, lost more than a dollar yesterday to close at Z\$16.20, taking its fall in the last month to more than 15 per cent.

Dealers said that nervousness about today's strike was only one factor - others being the government's apparent confusion over how to finance the one-off bonus payment to war veterans that will cost Z\$2.5bn (\$154m), the land takeover and what one dealer called the "sheer amateurism" of the central bank in seeking to stabilise the exchange rate. Tony Hawkins, Harare

IRAQI ARMS

UN chief to hold talks

Richard Butler, head of the UN disarmament commission. will hold talks this weekend in Baghdad on gaining access to "sensitive" sites, including presidential enclaves, that have been barred to his inspectors in violation of Security Michael Littlejohns, New York Council resolutions.

TURKEY AND ISRAEL

Growing ties attract criticism

Israel and Turkey yesterday denied their growing military, economic and cultural ties were directed against any other country. The denials came as Yitzhak Mordechai, Israeli defence minister, began a three-day visit to Ankara to discuss joint manoeuvres as well as more defence projects. Several Arab states, notably Syria, have criticised Judy Dempsey, Jerusalem

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Borrowing costs fall for Japan banks

The cost of borrowing been aired before by money on international Japanese politicians, has markets for Japanese banks fell sharply yesterday after some politicians suggested the government should sell treasuries, and any major US bonds to help the markets. banking sector.

The "Japan premium" contracts, traders said.

Last week the premium made a severe dent in international confidence in Japanese banks.

The surge in the premium ways of reducing the premium.

The ruling Liberal the dollar lower. Democratic party is expected to produce some proposals soon to boost the economy and raise confidence in the financial system. The details of these proposals are still being hotly debated by

politicians. However, Taku Yamasaki, a senior politician in the Liberal Democratic party. suggested at the weekend that the government should provide dollars for Japanese

The suggestion, which has traditionally generated alarm in the US. Japan is the largest single holder of US sell off could severely hit the

However, the proposal was the extra cost banks pay to put down by government secure funds compared to officials yesterday, who their US and European suggested it had been made counterparts - dropped to for domestic political about 56 basis points for purposes. "This is not a three-month eurodollar serious suggestion." said

Traders also pointed out surged over 100 basis points that the government was after the failure of three unlikely to make any large large financial institutions sale because US treasuries are yielding much more than domestic investment

Indeed, in a sign of this has dismayed government market scepticism, the dollar rose to a new five-year high have been scrambling to find of Y130.52 in Tokyo. A sale of US treasuries would usually be thought to push

The Ministry of Finance yesterday said that it was "concerned" about the yen's fall. Takeshi Komura. vice-finance minister said: "Excessive yen weakness is undesirable."

However, it is widely believed in Japanese government circles that the US authorities are now quietly prepared to tolerate some yen weakness in light sell its Treasury bonds to of the current stagnation of the Japanese economy.

NEWS DIGEST

HK picks Beijing representatives

Pro-Beijing politicians and business figures were yester-day picked to represent Hong Kong in China's parliament amid protests from the territory's pro-democracy forces. The 36 Hong Kong delegates chosen to sit in the

National People's congress included the head of the Hong Kong branch of the official Xinhua News Agency, one of China's main offices in the territory. Jiang Enzhu secured most votes from a 424-member Beijing-appointed committee, while Lee Wui-ting, his aide, was also one of the bigcest winners. Pro-democracy forces condemned the selection process.

criticising the "closed-circle election" and warning of encroachments on Hong Kong's promised autonomy. Emily Lau, spokesman of the Frontier party, said Mr Jiang's selection made a sham of the "one country, two systems" formula, which underpinned the transfer of sovereignty from Britain in July.

The selection, however, drew the support of Tung Chee-hwa, Hong Kong's post-colonial leader. "The 424 people represent a very wide cross section of Hong Kong people. These are indirect elections and they are effective in their

MALAYSIAN AUSTERITY

Pay cut for ministers

Malaysia announced significant pay cuts for government ministers yesterday as an austerity package unveiled last week began to gather momentum. Anwar Ibrahim, deputy prime minister and finance minister, said salaries of ministers and deputy ministers would be cut by 10 per cent and those of other senior officials by 3 per cent.

Mr Anwar said the cuts, which were described as voluntary, were an important display of support for the austermy programme. It represented a key policy shift which will, if executed, usher in one or two years of painful restructuring. The shift is intended to prevent the country from having to seek the assistance of the International Monetary Pund, which Kuala Lumpur fears would result

in a loss of economic sovereignty. Ministers earn M\$26,000 (US\$7,000) a month and deputy ministers receive M\$18,000. Incomes are, however, supplemented by cash from other sources and allowances.

Abu Hassan Omar, chief minister of Selangor state, for

instance, has provuked controversy following the revelation that he had received an allocation of M\$5m for decoranne his house.

Kuala Lumpur's stock market soared 11.3 per cent yesterday, the first full day of trading since the package was announced. There were signs, too, that financial restructuring, considered essential for the economy's health, might be about to start. Mr Anwar told parliament that "several bank mergers are now in the final stages" of James Kynge, Kuala Lumpur

M KOREAN TALKS

Peace negotiations under way

North and South Korea, the US and China will meet today in Geneva to begin talks on a peace agreement that would bring a formal end to the 1950-53 Korean war.

The talks could result in breaking Pyongyang's diplomatic isolation with western countries and promote foreign investment to rescue the North's economy affected by widespread starvation and industrial stagnation.

But US and South Korean officials warned progress at the talks could be slow since North Korea demanded that the withdrawal of 37,000 US troops from South Korea should be included in the peace negotiations, a demand rejected by Washington and Seoul. John Burton, Scoul

Thailand shuts 56 finance companies

By Ted Bardacke in Bangkok

Thailand yesterday closed reform. permanently 56 bankrupt financial institutions, a move which is expected to earn the government \$300m in fresh International Monetary Fund loans.

"The decision is a clear signal that Thailand is committed to rebuilding a strong and viable financial system," said Tarrin Nimmanahaeminda, minister of

The baht was stable at Bt41.72 to the US dollar and the stock market rose 3.3 per cent on the announcement. Some investors said they The companies, which had borno longer doubted the govern- rowed massively from the govern-

ment's commitment to an IMFdesigned programme of financial

The IMF reforms were imposed after Thailand turned to the Fund last summer when Bangkok's decision to allow the baht to depreciate triggered the east Asian financial

Thailand is now trying to regain the confidence of international investors by overhauling its creaky financial system after a change of government last month.

The reforms included the suspension of 58 struggling finance companies with total assets of \$23.7bn.

South Korea: traffic jam

ment, were asked to submit recapi-talisation proposals which, if tive of World Bank, architect of the accepted, would have allowed them

to reopen. Yesterday only two plans were approved, including one by American international Group to take over Bangkok Investment.

Last night in Washington, the IMF board of directors was expected to approve the second tranche of funds for Thailand from its \$17.2bn emergency bailout package. "They've done what needed to be done," an IMF official

The decision to close 56 finance houses "a watershed event that far exceeded our expectations." said J.

closure scheme which the Thais adhered to in spite of last month's change in government. "The authorities have been very diligent.

We haven't seen any signs of political interference." The closures will involve the loss of 6,000 jobs.

"How would you feel if you raised a child for 26 years and it died," asked Suthee Audsarat, chairman and founder of Sitca Investment, one of the largest of the closed companies, as his office was secured by six plainclothes

policemen. "We lived under an illusion of

paying for it," Mr Suthee said.

The assets of the companies closed will be sold off over the next year. This will be done through two specially set up government agencies, including a new commercial bank. Many analysts say the bidding process will result in a fall in property prices that will hurt

Thailand's 50 financial institutions. Foreign bank, which lent the closed companies more than \$2bn, will be repaid either from the proceeds of the sale of assets. Some creditors may receive a government pledge to recoup about 60 per cent of the original value of their

Korea car sector on rationalisation road

John Burton analyses the merger between the country's second and fourth largest carmakers

yong Motors by Daewoo signals the start of a much-needed rationalisation of South Korea's crowded car market, the world's fifth largest, under the influence of austerity measures imposed by the International Monetary

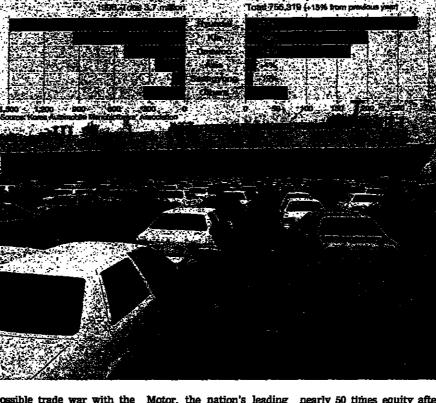
"The car industry is a classic example of the industrial over-investment financed by debt that has landed Korea in its current economic prob-lems," said Del Ricks, research head at BZW in

Korea's other main industries - steel, petrochemicals, shipbuilding and computer chips - are similarly bur-dened by high debts and excess capacity, with little thought given to profitabil-

Analysts and foreign competitors have warned for years that the country's rapid production expansion was unsustainable because the global car market was becoming glutted. A sluggish domestic mar-

ket and falling export prices forced Kia, Korea's third largest carmaker, to declare bankruptcy in October in the nation's biggest corporate collapse. This helped undermine foreign investor confidence that provoked financial turmoil and forced Korea to seek a \$57bn rescue from the IMF.

The economic crisis could not have come at a worst



US over restricted car imports to Korea. Analysts think Daewoo's purchase of ean carmakers being cut from five to two or three.

The merger between Korea's second and fourth time for Korean carmakers largest carmakers poses a already threatened with a serious challenge to Hyundai

car producer, as it means Ssangyong's four wheeldrive and commercial Ssangyong will eventually vehicles will be added to result in the number of Kor- Daewoo's core business of nassenger cars.

Tough financial conditions forced Ssangyong, the nation's sixth largest conglomerate, to sell its vehicle division, which has debts of a recent capacity expansion and the launch of its first passenger car in October. To raise capital to service

its debts, Ssangyong earlier sought to sell up to 49 per cent of the car company to Daimler-Benz, its technology partner which has a 2.6 per cent stake in Ssangyong

and Ssangyong will raise 21 per cent of capacity. questions about the fate of Korea's two remaining carmakers Kia and Samsung. Analysts think the prospects for Samsung, which will begin car production next March, are poor unless it can

acquire Kia. In a controversial move that led to Korea's sovereign rating being downgraded by Standard & Poor's, the US credit rating agency, the government took over Kia after it collapsed under \$10bn in debts.

The government claimed at first that its rescue of Kla was only a temporary measure to rehabilitate it before selling the carmaker. But Jin Nyun, Kia's new chaircarmaker should be kept in the bosom of the state because it would save jobs.

This is in sharp contrast to his role in January when as labour minister he tried to push reforms making it easier to sack workers. Violent demonstrations forced the government to back down and Mr Jin was sacked from the cabinet.

Now posing as the workers' champion. Mr Jin wants to keep Asia Motors, Kia's truck division, instead of selling it, as the government earlier proposed. He has also suggested selling Kia's specialty steel unit to state-run Pohang Iron & Steel rather than to a private company. However, both divisions are heavily indebted and losing money. The truck division's

The deal between Daewoo facility is operating at only But his strategy has won the support of Kia's unionised workforce and helped return the company to nor mal operations, backed by government financing.

Analysts say the IMF mea sures might still force the state to sell Kia to Samsumer instead of propping it up. Samsung has its own problems, however. The group's financial position is weakening as its main business, computer chips, is suffering

a sharp fall in profits. Moreover, Samsung is launching its new car, built with technology from Nissan of Japan, in the midst of an economic recession at home and dismal export prospects man, has suggested that the in Asia as a result of the region's financial turmoil. It has already postponed plans to double car production to

500,000 vehicles by 2002. Samsung officials have suggested the car company might have to be sold if a takeover of Kla fails.

The rationalisation of the car industry could benefit Korea by encouraging a substantial increase in foreign direct investment if international carmakers decide to acquire manufacturing plants from Samsung or Kia. "Because of its close proximity to China and excellent infrastructure, Korea is a superb site for any foreign company seeking a manufac-

E GERMANY

turing base in Asia," said Chris Rocco, branch manager of Schroder in Seoul.

Ramos anoints house speaker as successor

Philippine President Fidel Ramos vesterday surprised political observers by speaker of the lower

The "anointment" of Mr de Venecia confounded expectations that Mr Ramos would throw his support behind Renato de Villa, the former defence secretary and a loyal supporter of the president. I'm shocked by this deci-

sion. It means they will really have to apply the machinery to the hilt because de Venecia is not going to get very enthusiatic support from Ayala Avenue [heart of Manila's financial district of Makati]," said Alex Magno, professor of politics at the University of the

Philippines. Mr Ramos' decision, says analysts, is thought to have been driven by the need to maintain unity within his Lakas party, the biggest member of the ruling "rainbow" coalition. "This is a

split," said Mr Magno. In recent days, Mr de Venecia's team had warned per cent. that presidential backing for Mr de Villa would trigger a damaging split within Lakas and provoke a separate pres- presidential endorsement,

not expected to bolt from port from the administraparty ranks. A Lakas split tion.

would provide a big boost to the opposition.

in a typical display of horse-trading, Mr de Venecia's advisers threatened in endorsing Jose de Venecia, the past few days that the critical and long-delayed tax house, as his successor in reform would not be passed presidential elections next unless the house speaker received the president's

> backing. Observers said it was not a coincidence that Congress ratified the final component of the tax reform bill last night, shortly before the president's decision was announced. "This was a quid pro quo," said Mr Magno.

Mr de Venecia is credited with welding the ruling "rainbow" coalition, which since 1992 has approved a wave of often controversial economic reforms.

A recent survey by SWS, a leading pollster, put the country's two leading opposition politicians way ahead of potential administration candidates. Gloria Macapagal-Arroyo,

a high-profile senator, led in first place on 28 per cent, with Joseph Estrada, the decision of a president who did not want the party to critic of Ramos on 23 per cent. Mr de Venecia and Mr de Villa trailed on about 5

Observers said it was extremely difficult to quantify the electoral value of the idential bid by the house but said Mr de Venecia would receive formidable However, Mr de Villa is financial and logistical sup-

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1987	105,6	100.7	103.9	98.4	76.1	101.3	92.5	103.1	100.0	122.9	100.1	95.0	107.9	107.1	110.9
1988	109.9	103.2	106.8	100.2	71.0	102.3	92.3	107.8	96.0	131.0	101.4	96.2	112.6	108.9	109.9
1989	115.2	108.5	109,9	101.9	74.9	105.1	94.2	114.0	96,8	123.5	104.2	99.3	117.1	108.0	107.5
1990	121,5	113.9	113.5	104,9	73.2	108.3	95.7	120.1	99.7	108.2	107.0	101.0	123.5	110.3	109.9
1991	126.6	1163	117.3	108.4	74,1	111,9	96.8	124.2	103.9	113.2	110.9	103.4	131.3	109.6	107.5
1992	130,4	117.7	120.1	108.3	74.0	114.0	95.9	125.6	112.8	114.5	116.5	104.9	138.2	115.3	110.0
1993 1994	134.9	119.2	123.1	108.8	76.4	115.4	94.3	125.8	118.8	131.9	121.7	105.1	145.6	119.4	111.3
1995	137,8 141,7	118.9 122.2	126.5 129.7	108.5 108.2	74.1	116.2	92.6	128.4	118.5	137.3	125.1	105.7	150.8	112.1	109.B
1996	145.8	125.4	133.9	108.2	68.7 73.3	115.9 115,8	92.0 91.3	132.5 135.8	115.8 113.3	138.3 118.6	127.4 129.3	107.5 107.1	155.8	110.8 109.7	114.7 109.8
4th qtr.1996 •	3.2	3.6	3.5	-0.7	74.3	0.1	-0.6	2.0	-3.4	114.0	1.4	-0.3		-4.9	107.8
1st qtr.1997 2nd qtr,1997	2.9 2.3	2.1 0.4	3.6 2.9	-0.3 -0.8	77.9 78.1	0.0	-0.3	5.2	-5.0	110.0	1.7	0.6		-5.8	106.2
3rd qtr.1997	22	-0.1	27	-1.4	79.2	1.5 1.7	1.7 1.8	2.9 2.7	-4.5	114.2 117.4	1.6 1.9	1.1 1.4		-5.3	104,9 103,3
December 1996	3.3	2.8	3.7	-0.8	75.0	- 0.2	-0.4	1.4	-2.8	113.3	1.4	-0.3	na.	-6.8	107.3
Jenuary 1997	3.0	2.5	3.0	-02	76.5	0.5	-0.4	9.8	~6.B	111.3	1.8	0.7	na.	-4.9	106.7
February	3.0	22	3.5	-0.5	78,4	0.1	-03	3.1	-21	109.1	1.7	0.6	n.a.	-7.S	105.9
March -	28	1,5	4.3	-0.3	79.0	0.0	-02	27	-6.0	109.4	1.5	0.7	n.a.	-5.0	105.7
April	2.5	8,0	2.8	-0.7	79.2	1.2	1.8	2.6	-3.1	109.2	1.4	0.9	n.a.	-5.9	105.3
May	2.2	0.4	3.0	-0.7	77.7	1,4	1.7	29	-5.1	114.3	1.5	1.1	TLS.	-4.0	105.2
June July	23	-0.1	28	-0.9	77.4	1.9	1.8	3.0	-5.3	119.2	1.7	1.4	n.a.	-6.1	104.6
July August	22 22	-0.2 -0.2	2.5 2.8	-1.2	78.3	1.4	1.9	3.2	-3.3	119.6	1.9	1.4	n.e.	-10.3	103,4
September	22	0.0	2.8	-1.6 -1.5	79.7 79.7	1.6	1.7 1.7	2.9 1.5	-1,8	118.5	2.1	1.5	na	-4.1	103.0
October	21	-0.2	24	-1.0	79.2	2.2 2.4	1.7	1.5		1142 1132	1.9 1.8	1.4 1.2	na.		103.5
November	_,				79.9	20				108.5	1.0	1-4	П.В. П.В.		104.1 104.4
	I FR	ANCE	_			# ITAL	Y				A UNIT	ED K	INGDO	M	
	Comme			(let	(Real				بالعال	Pest				Link	Regi
						Commercia	Secretary 2			-	Commen	Constances.			
	prices	Producer prises	Consings	ents mous	esetitings pla	Comunity picus	Producer prices	Eurologa.	inpod.	enchange pale	Commer prices	Producer prices	Estalogs	iabour costs	engrands engrands
1986	102.5	98.0	104,5	101.6	103.4	pices 106.1	Producer prices 99,4	104.8	inpos.	ووستثهده	prices	prices	<u>-</u> _	ishour costs	erichungs Film
1987	102.5 105.9	98.0 98.1	104,5 107.9	101.6 103.0	103.4 104.7	106.1 111.0	99.A 102.2	104.8 111.6	102.6 105.5	101.3 102.1	103.4 107.7		107.7 116.3	ishour .	94,3 94.6
1967 1968	102.5 105.9 108.8	98.0 98.1 102.9	104,5 107,9 111,5	101.6 103.0 104.1	103.4 104.7 102.1	106.1 111.0 116.5	99.4 102.2 105.7	104.8 111.6 118.4	102.6 105.5 109.7	101.3 102.1 100.9	103.4 107.7 113.0	101.4 104.9 108.7	107.7	inhour costs 103,9	94,3 94.6
1967 1988 1969	102.5 105.9 108.8 112.6	98.0 98.1 102.9 108.2	104,5 107,8 111,5 115,8	101.6 103.0 104.1 105.2	103.4 104.7 102.1 99.7	106.1 111.0 116.5 124.2	99,4 102,2 105,7 112,0	104.8 111.6 118.4 125.6	102.6 105.5 109.7 112.3	101.3 102.1 100.9 105.1	103.4 107.7 113.0 121.8	101.4 104.9 108.7 113.9	107.7 116.3 126.2 137.2	103,9 106,2 108,8 114,1	94,3 94,6 101.9 100.5
1967 1968 1969 1990	102.5 105.9 108.8 112.6 118.5	98.0 98.1 102.9 108.2 107.1	104,5 107,9 111,5 115,8 121,5	101.6 103.0 104.1 105.2 109.6	103,4 104.7 102.1 99.7 102.9	106.1 111.0 116.5 124.2 131.7	99,4 102,2 105,7 112,0 116,2	104.8 111.6 118.4 125.6 134.7	102.6 105.5 109.7 112.3 118.8	101.3 102.1 100.9 105.1 111.9	103.4 107.7 113.0 121.8 133.3	101.4 104.9 108.7 113.9 121.0	107.7 116.3 126.2 137.2 150.1	103,9 106,2 108,8 114,1 121,6	94.3 94.6 101.9 100.5 101.4
1967 1968 1969 1990	102.5 105.9 108.8 112.6 116.5 120.2	98.0 98.1 102.9 108.2 107.1 105.9	104,5 107,9 111,5 115,8 121,5 127,1	101.6 103.0 104.1 105.2 109.8 113.4	103,4 104.7 102.1 99.7 102.9 100.7	106.1 111.0 116.5 124.2 131.7 140.3	99.4 102.2 105.7 112.0 116.2 120.0	104.8 111.6 118.4 125.6 134.7 147.9	102.6 105.5 109.7 112.3 118.8 129.6	101.3 102.1 100.9 105.1 111.9 113.1	103.4 107.7 113.0 121.8 133.3 141.2	101.4 104.9 108.7 113.9 121.0 127.5	107.7 116.3 126.2 137.2 150.1 182.4	103.9 106.2 108.8 114.1 121.6 127.9	94,3 94,6 101.9 100.5 101.4 104,4
1967 1968 1969 1980 1991 1992 1993	102.5 105.9 108.8 112.6 118.5	98.0 98.1 102.9 108.2 107.1	104,5 107,9 111,5 115,8 121,5	101.6 103.0 104.1 105.2 109.6	103,4 104.7 102.1 99.7 102.9	106.1 111.0 116.5 124.2 131.7	99.4 102.2 105.7 112.0 116.2 120.0 122.3	104.8 111.6 118.4 125.6 134.7 147.9 155.9	102.6 105.5 109.7 112.3 118.8 129.6 134.5	101.3 102.1 100.9 105.1 111.9 113.1 109.5	103.4 107.7 113.0 121.8 133.3 141.2 146.4	101.4 104.9 108.7 113.9 121.0 127.5 131.5	107.7 116.3 126.2 137.2 150.1 182.4 173.1	103.9 106.2 108.8 114.1 121.6 127.9 128.2	94,3 94,6 101,9 100,5 101,4 104,4 100,9
1967 1968 1969 1980 1991 1992 1993	102.5 105.9 108.8 112.6 118.5 120.2 123.1 125.6 127.7	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.6 102.7	104,5 107,8 111,5 115,8 121,5 127,1 132,3 135,6 138,2	101.6 103.0 104.1 105.2 109.6 113.4 115.6	103,4 104.7 102.1 99.7 102.9 100.7 104.2	106.1 111.0 116.5 124.2 131.7 140.3 147.7	99.4 102.2 105.7 112.0 116.2 120.0	104.8 111.6 118.4 125.6 134.7 147.9	102.6 105.5 109.7 112.3 118.8 129.6	101.3 102.1 100.9 105.1 111.9 113.1	103.4 107.7 113.0 121.8 133.3 141.2 146.4 148.7	101.4 104.9 108.7 113.9 121.0 127.5 131.5 136.7	107.7 116.3 126.2 137.2 150.1 182.4 173.1 180.9	103.9 106.2 108.8 114.1 121.6 127.9 128.2 127.6	94.3 94.6 101.9 100.5 101.4 104.4 100.9 93.1
1967 1969 1969 1980 1991 1992 1993 1994 1995	102.5 105.9 108.8 112.6 116.5 120.2 123.1 125.6 127.7 130.0	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.6 102.7 109.7	104,5 107,8 111,5 115,8 121,5 127,1 132,3 135,6 138,2 141,5	101.6 103.0 104.1 105.2 109.6 113.4 115.6	103.4 104.7 102.1 98.7 102.9 100.7 104.2 106.6 106.1 106.1	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6	99.A 102.2 105.7 112.0 116.2 120.0 122.3 126.9 131.6 142.0	104.8 111.6 118.4 125.6 134.7 147.9 155.9 161.9 167.0 172.2	102.6 105.5 109.7 112.3 118.8 129.6 134.5 136.9	101.3 102.1 100.9 105.1 111.9 113.1 109.5 96.2	103.4 107.7 113.0 121.8 133.3 141.2 146.4	101.4 104.9 108.7 113.9 121.0 127.5 131.5	107.7 116.3 126.2 137.2 150.1 182.4 173.1 180.9 189.5	103.9 106.2 108.8 114.1 121.6 127.9 128.2 127.6 127.1	94,3 94,6 101.9 100.5 101.4 104.4 100.9 93.1 94.1
1967 1969 1969 1990 1991 1992 1993 1994 1995	102.5 105.9 106.8 112.6 116.5 120.2 123.1 125.6 127.7 130.0 132.6	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.5 102.7 109.7 105.8	104.5 107.8 111.5 115.8 121.5 127.1 132.3 135.6 138.2 141.5 144.9	101.6 103.0 104.1 105.2 109.6 113.4 115.6	103.4 104.7 102.1 99.7 102.9 100.7 104.2 106.6 106.1 106.1 106.2	108.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.8 175.0	99.4 102.2 105.7 112.0 116.2 120.0 122.3 128.9 131.6 142.0 144.7	104.8 111.6 118.4 125.6 134.7 147.9 155.9 161.9 167.0 172.2 175.3	102.6 105.5 109.7 112.3 118.8 129.6 134.5 136.9 138.1	101.3 102.1 100.9 105.1 111.9 113.1 109.5 95.2 93.3 90.3 101.9	103.4 107.7 113.0 121.8 133.3 141.2 146.4 148.7 152.4 157.6 161.5	101.4 104.9 108.7 113.9 121.0 127.5 131.5 136.7 140.1 148.0 149.8	107.7 116.3 126.2 137.2 150.1 182.4 173.1 180.9	103.9 106.2 108.8 114.1 121.6 127.9 128.2 127.6	94.3 94.6 101.9 100.5 101.4 104.4 100.9 93.1
1967 1968 1999 1990 1991 1992 1993 1994 1996 4th qtr.1996	102.5 105.9 108.8 112.6 118.5 120.2 123.1 125.6 127.7 130.0 132.6	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.6 102.7 109.7 105.8	104.5 107.9 111.5 115.8 121.5 127.1 132.3 135.6 138.2 141.5 144.9	101.6 103.0 104.1 105.2 109.6 113.4 115.6	103.4 104.7 102.1 99.7 102.9 100.7 104.2 106.6 106.1 106.1 106.2	106.1 111.0 116.5 124.2 131.7 140.3 147.7 150.0 168.6 175.0	99.4 102.2 105.7 112.0 116.2 120.0 122.3 126.9 131.6 142.0 144.7	104.8 111.6 118.4 125.6 134.7 147.9 155.9 161.9 167.0 172.2 175.3	102.6 105.5 109.7 112.3 118.8 129.6 134.5 136.9 138.1	101.3 102.1 100.8 105.1 111.9 113.1 109.5 95.2 93.3 90.3 101.9	103.4 107.7 113.0 121.8 133.3 141.2 146.4 148.7 152.4 157.5 161.5	101.4 104.9 108.7 113.9 121.0 127.5 131.5 136.7 140.1 148.0 149.8	107.7 116.3 126.2 137.2 150.1 180.1 180.9 189.5 198.0 206.8	103.9 108.8 114.1 121.6 127.9 128.2 127.1 131.7 138.8	94.3 94.6 101.9 100.5 101.4 104.4 100.9 93.1 94.1 90.7 93.6
1987 1989 1990 1990 1991 1992 1993 1994 1995 14th qtr.1996 1et qtr.1997	102.5 105.9 108.8 112.6 116.5 120.2 123.1 125.6 127.7 130.0 132.6	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.6 102.7 109.7 105.8 -3.9 -2.6	104.5 107.8 111.5 115.8 121.5 127.1 132.3 135.6 138.2 141.5 144.9	101.6 103.0 104.1 105.2 109.6 113.4 115.6	103.4 104.7 102.1 99.7 102.9 100.7 104.2 106.1 106.1 106.2	108.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.8 175.0	99.4 102.2 105.7 116.2 120.0 122.3 128.9 131.6 142.0 144.7	104.8 111.6 118.4 125.6 134.7 147.9 155.9 167.0 172.2 175.3	102.6 105.5 109.7 112.3 118.8 129.6 134.5 136.9 138.1	101.3 102.1 102.1 100.9 105.1 111.9 113.1 109.5 95.2 93.3 101.9 104.7 104.0	103.4 107.7 113.0 121.8 133.3 141.2 146.4 148.7 152.4 157.5 161.5	101.4 104.9 108.7 113.9 121.0 127.5 131.5 136.7 146.7 148.0 148.8	107.7 116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5 196.0 206.8	103.9 106.2 108.8 114.1 121.6 127.9 128.2 127.6 127.1 131.7 138.8	94.3 94.8 101.9 100.5 101.4 104.4 100.9 93.1 94.1 90.7 93.6
1987 1988 1989 1990 1990 1991 1992 1993 1994 1995 1996 4th qtr.1996 4th qtr.1997 2nd qtr.1997	102.5 105.9 108.8 112.6 118.5 120.2 123.1 125.6 127.7 130.0 132.6	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.6 102.7 109.7 105.8	104.5 107.9 111.5 115.8 121.5 127.1 132.3 135.6 138.2 141.5 144.9	101.6 103.0 104.1 105.2 109.6 113.4 115.6	103.4 104.7 102.1 99.7 102.9 100.7 104.2 106.6 106.1 106.1 106.2	106.1 111.0 116.5 124.2 131.7 140.3 147.7 150.0 168.6 175.0	99.4 102.2 105.7 112.0 116.2 120.0 122.3 126.9 131.6 142.0 144.7	104.8 111.6 118.4 125.6 134.7 147.9 155.9 161.9 167.0 172.2 175.3	102.6 105.5 109.7 112.3 118.8 129.6 134.5 136.9 138.1	101.3 102.1 100.8 105.1 111.9 113.1 109.5 95.2 93.3 90.3 101.9	103.4 107.7 113.0 121.8 133.3 141.2 146.4 148.7 152.4 157.5 161.5	101.4 104.9 108.7 113.9 121.0 127.5 131.5 136.7 140.1 148.0 149.8	107.7 116.3 126.2 137.2 150.1 180.1 180.9 189.5 198.0 206.8	103.9 106.2 108.8 114.1 127.9 127.6 127.1 131.7 138.8 4.7 3.3 2.9	94.3 94.8 101.9 100.5 101.4 104.4 100.9 93.1 94.1 90.7 93.6 105.6 108.2
1967 1969 1969 1990 1991 1992 1993 1994 1995 1996 4th qtr.1997 3rd qtr.1997 3rd qtr.1997	102.5 105.9 106.8 112.6 118.5 120.2 123.1 125.6 127.7 130.0 132.6 1.7 1.5 0.9 1.3	98.0 98.1 102.9 107.1 105.9 104.5 102.7 109.7 105.8 -3.9 -2.6 -0.8 0.6	104.5 107.8 111.5 111.5 121.5 127.1 132.3 135.6 138.2 141.5 144.9 2.6 3.0 2.7 2.8	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 102.1 98.7 102.9 100.6 106.6 106.1 106.1 106.2 105.8 103.4 102.4 100.2	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.8 175.0 2.7 2.4 1.6 1.5	99.A 102.2 105.2 112.0 116.2 120.3 120.9 131.6 144.7 0.8 0.9 1.2 1.7	104.8 111.6 118.4 125.6 134.7 147.9 155.9 167.0 172.2 175.3 1.6 3.9 3.8 3.4	102.6 105.5 109.7 112.3 118.8 129.6 134.5 136.9 138.1	101.3 102.1 102.1 105.1 111.5 113.1 113.1 113.5 96.2 93.3 101.9 104.7 104.0 107.7	103.4 107.4 107.4 113.0 121.8 133.3 141.2 146.4 148.7 152.4 157.6 161.5 2.6 2.7 2.7 3.5	101.4 104.9 108.7 113.9 127.5 131.5 136.7 140.1 149.8 2.0 1.2	107.7 116.3 126.2 137.2 150.1 162.4 173.1 180.5 189.5 206.8 4.4 4.2 4.1	103.9 106.2 108.8 108.2 108.8 114.1 127.9 128.6 127.1 131.7 138.8 4.7 3.3 2.9 2.2	94.3 94.6 101.9 100.5 101.4 100.8 93.1 94.1 90.7 93.6 105.6 106.2 111.6
1987 1988 1989 1990 1990 1992 1993 1994 1995 1996 1996 1996 1997 2nd qt.1997 2nd qt.1997 2nd qt.1997	102.5 105.9 108.8 112.8 112.6 123.1 125.6 127.7 130.0 132.6 1.7 1.5 0.9 1.3	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.6 102.7 105.8 -3.9 -2.6 -0.6	104.5 107.9 111.5 115.5 121.5 127.1 132.3 135.8 144.9 2.6 3.0 2.7 2.8	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 102.1 99.7 102.9 104.2 106.6 106.1 106.1 106.2 105.8 103.4 102.4 102.9 103.4 102.9 103.4 103.4 103.4 103.4 103.4 103.4 103.4 103.4 103.4	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6 175.0 2.7 2.4 1.6 1.5	99.4 102.2 105.7 112.0 116.0 122.3 126.9 131.6 142.0 144.7 0.9 1.7	104.8 111.6 118.4 125.6 134.7 147.9 157.9 167.0 177.2 175.3 1,6 3,9 3,4 1,8 3,9 3,4	102.6 105.5 108.7 112.3 118.8 129.6 134.5 136.9 138.1	101.3 102.1 102.1 102.1 105.1 111.9 113.1 109.5 95.2 93.3 90.3 101.9 104.0 102.0 102.0 105.4 106.0	103.4 107.7 113.0 121.8 133.3 141.2 146.4 148.7 152.4 157.6 161.5	101.4 104.9 108.7 113.9 121.0 127.5 131.5 136.7 140.1 148.8 2.0 1.2 1.0 1.3	107.7 116.3 126.2 137.2 150.1 180.4 173.1 180.9 189.5 196.0 206.8	103.9 106.2 108.8 114.1.5 127.9 128.2 127.1 131.7 138.8 4.7 3.3 2.9 2.2	94.3 94.6 101.9 100.5 101.4 104.4 104.9 93.1 94.1 90.7 93.6 105.6 105.2 111.6
1997 1998 1999 1990 1990 1992 1993 1994 1995 1996 4th qtr.1996 4th qtr.1997 2nd qtr.1997 3rd qtr.1997 3rd qtr.1997 December 1998 January 1997 February	102.5 105.9 108.8 112.8 112.8 118.5 120.2 123.1 125.6 132.6 1.7 1.5 0.9 1.3	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.5 102.7 105.8 -3.9 -2.6 -0.8 0.6	104.5 107.8 111.5 115.8 121.5 127.1 132.8 135.6 138.2 141.9 2.6 3.0 2.7 2.8 n.s.	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 102.1 99.7 102.0 100.7 104.2 106.1 106.1 106.1 106.2 102.6 103.4 103.4 103.3	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.8 175.0 2.7 2.4 1.6 1.5	99.4 102.2 105.7 112.0 116.2 120.0 122.3 126.9 131.6 142.0 144.7 0.9 0.9 0.9	104.8 111.6 118.4 125.6 134.7 147.9 155.9 167.0 175.2 175.3 1,6 3.9 3.8 3.4	102.6 105.5 109.5 112.3 118.8 129.6 134.5 136.9 138.1 138.1	101.3 102.1 102.1 105.1 111.9 113.1 109.5 96.2 93.3 101.9 104.0 104.0 105.4 105.4 105.8	103.4 107.7 113.0 121.8 133.3 141.2 146.4 157.5 161.5 2.7 3.5	101.4 104.9 108.7 113.9 121.0 127.5 136.7 140.1 148.8 2.0 1.2	107.7 116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.5 196.0 206.8 4.4 4.2 4.1	103.9 106.2 108.8 114.1 121.6 127.9 127.6 127.1 131.7 138.8 4.7 3.3 2.9 2.2	94.3 94.6 101.9 100.5 101.4 104.4 104.8 93.1 94.1 94.1 105.6 105.6 105.6 105.6 105.4 104.8
1967 1969 1969 1990 1990 1991 1992 1993 1994 1995 1996 4th qtr.1997 3rd qtr.1997 3rd qtr.1997 3rd qtr.1997 December 1998 January 1997 February	102.5 105.9 108.8 112.6 112.6 118.5 120.0 123.1 125.6 127.7 130.0 132.6 1.7 1.5 0.9 1.3	98.0 98.1 108.2 107.1 105.9 104.3 101.5 102.7 105.8 -3.9 -2.8 0.6	104.5 107.8 111.5 115.8 121.5 127.1 132.3 135.6 138.2 141.9 2.6 3.0 2.7 2.8 n.a. n.a. n.a. n.a. n.a. n.a. n.a. n.a.	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 102.1 99.7 102.9 100.7 104.6 106.1 106.1 106.2 105.8 103.4 102.6 100.2 103.3 103.3 103.3 103.3	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 180.0 188.8 175.0 2.7 2.4 1.6 1.5	99.4 102.2 105.7 112.0 118.0 122.3 128.6 131.6 142.0 144.7 0.8 0.9 1.2 1.7	104.8 111.6 118.6 125.6 134.7 147.9 167.6 167.6 167.2 175.3 1.8 3.9 3.4	102-6 105-5 109-7 112-3 118-8 129-6 134-5 136-9 138-1 138-1	101.3 102.1 102.1 102.1 105.1 1113.1 108.5 95.2 93.3 90.3 101.9 104.7 104.0 102.0 105.4 106.0 103.0	103.4 107.7 113.0 121.8 133.3 141.2 146.4 157.5 161.5 2.7 2.7 2.7 2.7 2.8 2.7 2.8	101.4 104.9 108.7 113.9 121.5 131.5 136.7 146.0 149.8 2.0 1.3 1.6 1.5 1.5 1.5	107.7 116.3 126.2 137.2 150.1 180.4 173.1 180.9 189.5 196.0 206.8	103.9 106.2 108.8 114.1.5 127.9 128.2 127.1 131.7 138.8 4.7 3.3 2.9 2.2	94.3 94.6 101.9 100.5 101.4 104.4 104.9 93.1 94.1 90.7 93.6 105.6 105.2 111.6
1987 1988 1989 1990 1990 1992 1993 1994 1995 1996 4th qtr.1997 2nd qtr.1997 2nd qtr.1997 3rd qtr.1997 February March April	102.5 105.9 106.8 112.8 116.5 120.2 123.1 125.6 127.7 130.0 132.6 1.7 1.5 0.9 1.3 1.8 1.8	98.0 98.1 102.9 108.2 107.1 105.8 101.5 102.7 105.8 -2.6 -0.8 0.6 n.s. n.s.	104.5 107.8 111.5 111.5 121.5 121.5 122.3 135.6 138.2 141.5 144.9 2.6 3.0 2.7 2.8 n.s. n.s. n.s. n.s. n.s. n.s. n.s. n.s.	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 104.7 102.1 99.7 100.7 104.2 106.1 106.1 106.1 106.2 105.8 103.4 102.8 103.3 103.3 103.3	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6 175.0 2.7 2.4 1.6 1.5	99.A 102.2 105.7 112.0 116.2 120.0 122.3 126.9 131.6 144.7 0.9 1.7 0.9 0.9 0.9	104.8 111.6 118.4 125.6 134.7 147.9 167.0 167.0 172.2 175.3 1.8 3.9 3.8 3.4 1.8 3.9 3.8 3.9	102.6 105.5 108.5 108.5 112.3 118.8 129.6 134.5 136.9 138.1 138.1	101.3 102.1 102.1 105.1 111.9 113.1 109.5 95.2 93.3 90.3 101.9 104.0 102.0 105.4 106.0 103.8 102.0	103.4 107.4 113.0 121.8 133.3 141.2 146.4 157.6 161.5 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7	101.4 104.9 108.7 113.9 127.5 131.5 136.7 140.1 148.8 2.0 1.2 1.0 1.3 1.5 1.5 1.5 1.0 0.8	107.7 116.3 126.2 137.2 150.1 182.4 173.1 180.9 189.5 198.0 206.8 4.4 4.2 4.1	103.9 106.2 108.8 114.1 121.6 127.9 128.2 127.6 127.1 131.7 138.8 4.7 3.3 2.9 2.2	94.3 94.6 101.9 100.4 104.4 104.8 93.1 94.1 90.7 93.6 105.6 106.2 111.6
1987 1988 1989 1990 1990 1992 1993 1994 1995 1996 4th qtr.1996 2nd qtr.1997 2nd qtr.1997 3rd qtr.1997 3rd qtr.1997 February March May	102.5 105.9 108.8 112.8 118.5 120.2 123.1 125.6 127.7 130.0 132.6 1.7 1.3 1.3 1.7 1.8 1.1 0.9	98.0 98.1 102.9 108.2 107.1 105.8 104.3 102.7 105.8 -0.8 0.6 10.6 10.6 10.6 10.6 10.6 10.6 10.6	104.5 107.8 111.5 111.5 127.1 132.3 135.6 141.5 144.9 2.6 2.7 2.8 n.s. n.s. n.s. n.s. n.s. n.s. n.s. n.s.	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 102.1 99.7 102.9 100.7 104.6 106.1 106.6 106.1 106.2 105.8 103.4 103.2 103.3 103.3 103.3 103.3	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6 175.0 2.7 2.4 1.6 1.5 2.6 2.8 2.4 2.2 1.7	99.4 102.2 105.7 112.0 116.2 120.3 122.3 128.9 131.6 142.7 0.8 0.9 0.9 0.8 0.9	104.8 111.6 118.4 125.6 134.7 147.9 155.9 167.0 172.2 175.3 1.8 3.8 3.4 1.8 3.9 4.0 3.8 3.8	102-6 105-5 108-5 112-3 112-8 128-6 134-5 138-9 138-1 138-1 138-1 138-1	101.3 102.1 105.1 105.1 111.9 113.1 109.5 96.2 96.3 101.9 104.0 104.0 105.4 106.0 106.4 106.0 106.0 106.0	103.4 107.4 113.0 121.8 133.3 141.2 146.4 157.6 161.5 2.7 2.7 2.7 2.7 2.7 2.7 2.5 2.8 2.7 2.8 2.7 2.8 2.7 2.8	101.4 104.9 108.7 113.9 121.9 127.5 131.5 136.7 140.1 148.0 1.2 1.0 1.5 1.5 1.0 1.5 1.0 1.0	107.7 116.3 126.2 137.2 150.1 182.4 173.1 180.9 189.5 196.0 206.8 4.4 4.2 4.1 5.1 4.8 4.3 4.3	103.9 106.2 108.8 106.2 108.8 114.1 121.6 127.6 127.6 127.1 131.7 138.8 4.7 3.3 2.9 2.2 4.0 3.8 3.3	94.3 94.6 101.9 100.5 101.4 104.4 100.9 93.1 90.7 93.6 105.2 111.6 102.4 104.8 106.1 106.0
1987 1988 1989 1989 1990 1992 1993 1994 1995 1996 4th qtr.1997 3rd qtr.1997 3rd qtr.1997 3rd qtr.1997 December 1998 January March April	102.5 105.9 106.8 112.8 112.5 120.2 123.1 125.5 127.7 130.0 132.6 1.7 1.5 0.9 1.3 1.7 1.8 1.1	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.5 102.7 109.7 105.8 -2.6 -0.6 10.6 10.6 10.6 10.6 10.6 10.6 10.6 1	104.5 107.8 111.5 115.8 121.5 127.1 132.3 135.8 138.2 141.5 2.6 3.0 2.7 2.8 n.s. n.s. n.s.	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 102.1 99.7 100.7 104.2 106.6 106.1 106.1 106.2 105.8 103.4 102.6 100.2 103.3 103.3 103.3 103.3 103.3 103.3	106.1 111.0 116.5 124.2 131.7 147.7 153.9 160.0 158.6 175.0 2.7 2.4 1.6 1.5 2.6 2.8 2.4 2.2 1.7 1.8	99.4 102.2 106.7 112.0 116.2 120.0 122.3 128.9 131.6 142.7 0.8 0.9 0.9 0.9 0.9	104.8 111.6 118.6 125.6 134.7 147.9 155.9 167.0 167.2 175.3 1.8 3.9 3.4 1.8 3.9 3.9 3.8 3.9 3.9	102-6 105-5 108-5 112-3 118-8 129-6 134-5 138-1 138-1 138-1 138-1 138-1	101.3 102.1 100.9 105.1 111.9 113.1 113.1 109.5 96.2 93.3 101.9 104.7 104.0 107.7 105.4 106.8 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0	103.4 107.7 113.0 121.8 133.3 141.2 146.4 152.4 157.5 2.7 2.7 2.7 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.7 2.8 2.8 2.8 2.8 2.8 2.8 2.8 2.8 2.8 2.8	101.4 104.9 108.7 113.9 121.0 127.5 131.5 136.7 148.0 1.0 1.3 1.8 1.5 1.0 0.8 1.0	107.7 116.3 126.2 137.2 150.1 162.4 173.1 180.9 189.0 206.8 4.6 4.2 4.1 4.2 4.1 4.2 4.3 4.0 4.4	103.9 106.8 108.8 114.1 127.9 128.2 127.1 131.7 138.8 4.7 3.3 2.9 2.2 4.0 3.8 3.2 3.0 1.8	94.3 94.8 101.9 100.5 101.4 104.4 100.9 93.1 94.1 94.1 95.7 90.7 93.8 105.6 105.6 104.8 106.1 106.0 108.0
1987 1988 1989 1990 1990 1991 1992 1993 1994 1995 1996 4th qtr.1997 2nd qtr.1997 2nd qtr.1997 3rd qtr.1997 3rd qtr.1997 February March Mary June By March Mary June By March Mary June By Mary June By March Mary June By March Mary March Mary Mary Mary March Mary Mary Mary Mary Mary Mary Mary Mary	102.5 105.9 106.8 112.8 116.5 120.2 123.1 125.6 127.7 130.0 132.6 1.5 0.9 1.3 1.6 1.6 1.6 1.0 0.9	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.5 102.7 109.7 10	104.5 107.8 111.5 127.5 127.5 127.1 132.3 135.6 144.5 144.5 2.6 3.0 2.7 2.8 n.a. n.a. n.a. n.a.	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 102.1 99.7 104.6 106.1 106.1 106.2 105.8 103.4 102.2 105.0 103.3 103.3 103.3 103.3 102.7 101.6 99.5	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6 175.0 2.4 1.6 2.8 2.4 2.4 2.7 1.8 1.5	99.4 102.2 105.7 112.0 116.2 120.0 122.3 128.9 131.6 144.7 0.9 1.7 0.9 0.9 0.9 0.9 1.7	104.8 111.6 118.4 125.6 134.7 147.9 155.9 167.0 172.2 175.3 1.6 3.9 3.8 3.4 1.8 3.9 3.8 3.9 3.8 3.9 3.8 3.9	102-6 105-5 108-5 118-8 128-6 134-5 138-1 138-1 138-1 138-1 138-1 138-1 138-1	101.3 102.1 102.1 105.1 111.9 105.5 95.2 90.3 101.9 104.7 104.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.5	103.4 107.7 113.0 121.8 133.3 141.2 146.4 157.6 161.5 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7	101.4 104.9 108.7 113.9 127.5 131.5,7 140.7 148.0 1.2 1.0 1.3 1.6 1.5 1.0 0.8 1.0	107.7 116.3 126.2 150.1 182.4 173.1 180.9 189.5 196.0 206.8 4.4 4.2 4.1 4.2 4.8 4.3 4.0 4.3	103.9 106.8 114.1 127.9 128.2 127.1 131.7 138.8 4.7 3.3 2.9 2.2 4.0 3.8 3.7 3.7 3.3 2.9	94.3 94.6 101.5 100.5 101.4 100.8 93.1 90.7 93.6 105.6 106.2 111.6 104.8 106.1 106.0 107.6
1987 1989 1990 1990 1991 1992 1994 1995 14th qtr.1995 14th qtr.1997 2nd qtr.1997 2nd qtr.1997 2nd qtr.1997 February March March March June July August September	102.5 105.9 106.8 112.8 112.5 120.2 123.1 125.5 127.7 130.0 132.6 1.7 1.5 0.9 1.3 1.7 1.8 1.1	98.0 98.1 102.9 108.2 107.1 105.9 104.3 101.8 102.7 109.7 105.8 -2.6 -0.6 10.6 10.6 10.6 10.6 10.6 10.6 10.6 1	104.5 107.8 111.5 115.8 121.5 127.1 132.3 135.8 138.2 141.5 2.6 3.0 2.7 2.8 n.s. n.s. n.s.	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 102.1 99.7 100.7 104.2 106.6 106.1 106.1 106.2 105.8 103.4 102.6 100.2 103.3 103.3 103.3 103.3 103.3 103.3	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6 175.0 2.7 2.4 1.6 1.5 2.8 2.4 2.2 1.7 1.8 1.4 1.5	99.4 102.2 106.7 112.0 116.2 120.9 131.6 142.7 0.8 0.9 0.9 0.8 0.9 0.8 1.1 1.5 1.7	104.8 111.6 118.4 125.6 134.7 147.9 167.9 167.9 167.9 172.2 175.3 1.8 3.8 3.4 1.8 3.9 4.0 3.8 3.7 3.8 3.8	102-6 105-5 108-5 112-3 112-8 128-6 134-5 138-9 138-1 138-1 138-1 138-1 138-1	101.3 102.1 105.1 110.9 113.1 109.5 96.2 96.3 90.3 101.9 104.0 102.0 107.7 105.4 106.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 103.8 102.0 103.8 103.8 103.8 103.8 103.9	103.4 107.7 113.0 121.8 133.3 141.2 146.4 157.6 161.5 2.7 2.7 2.7 2.7 2.5 2.8 2.7 2.8 2.7 2.8 2.9 2.4 2.8 2.9	101.4 104.9 108.7 113.9 121.0 127.5 131.5 136.7 140.1 148.8 2.0 1.3 1.0 1.3 1.5 1.0 1.1 1.1 1.1 1.1	107.7 116.3 126.2 137.2 150.1 182.4 173.1 189.5 196.0 206.8 4.4 4.2 4.1 5.1 4.8 4.3 4.4 4.3 4.4 4.4	103.9 106.2 108.8 114.1 121.5 127.6 127.1 128.2 127.1 131.7 138.8 4.7 3.2 2.9 2.2 4.0 3.8 3.2 3.0 1.3 3.7 3.3 2.9	94.3 94.6 101.5 100.5 101.4 100.8 93.1 90.7 93.6 108.2 111.6 108.0 108.0 108.0 108.0 108.0 108.0 108.0 108.0 108.0 108.0 108.0
1987 1988 1989 1990 1990 1991 1992 1993 1994 1995 1996 1996 1996 1997 2nd qtr.1997 2nd qtr.1997 3rd qtr.1997 3rd qtr.1997 February March April May June July August September October	102.5 105.9 108.8 112.8 112.8 112.5 120.2 123.1 125.7 130.0 132.6 1.7 1.8 1.3 1.7 1.8 1.1 0.9 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	98.0 98.1 102.9 108.2 107.1 105.8 102.7 105.8 -0.8 -0.8 0.6 1.8 1.8 1.8 1.8 1.8 1.8 1.8 1.8	104.5 107.8 111.5 127.5 127.5 127.5 135.6 135.6 141.5 144.9 2.6 2.7 2.8 n.a. n.a. n.a. n.a.	101.6 103.0 104.1 105.2 109.8 113.4 115.6 118.1	103.4 104.7 102.1 99.7 102.9 100.7 104.6 106.1 106.2 105.8 103.4 102.6 100.2 103.3 103.3 103.8 103.8 103.8 103.8 103.8 103.8 99.9	106.1 111.0 116.5 124.2 131.7 140.3 147.7 153.9 160.0 168.6 175.0 2.4 1.6 2.8 2.4 2.4 2.7 1.8 1.5	99.4 102.2 105.7 112.0 116.2 120.0 122.3 128.9 131.6 144.7 0.9 1.7 0.9 0.9 0.9 0.9 1.7	104.8 111.6 118.4 125.6 134.7 147.9 155.9 167.0 172.2 175.3 1.6 3.9 3.8 3.4 1.8 3.9 3.8 3.9 3.8 3.9 3.8 3.9	1026 1055 1085 1188 1188 1296 1345 1381 1381 1381 1381 138.1	101.3 102.1 102.1 102.1 105.1 1113.1 108.5 96.2 93.3 90.3 101.9 104.7 104.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0 102.0	103.4 107.7 113.0 121.8 133.3 141.2 146.4 157.1 152.4 157.2 2.7 2.7 2.7 2.7 2.7 2.7 2.8 2.4 2.8 2.9 3.4 3.5 3.5	101.4 104.9 108.7 113.9 121.0 127.5 131.5 131.5 148.0 1.0 1.3 1.5 1.0 0.8 1.0 0.8 1.1	107.7 116.3 126.2 150.1 182.4 173.1 180.9 189.5 196.0 206.8 4.4 4.2 4.1 4.2 4.8 4.3 4.0 4.3	103.9 106.8 114.1 127.9 128.2 127.1 131.7 138.8 4.7 3.3 2.9 2.2 4.0 3.8 3.7 3.7 3.3 2.9	94.3 94.6 101.9 100.5 101.4 104.9 93.1 94.1 90.7 93.6 108.2 111.6 102.4 104.8 106.1 108.0 108.0 107.0
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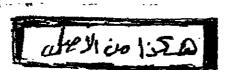
intermediate goods, italy - total producer prices. I/K - manufactured products. Earnings index not seasonally adjusted, refers to earnings in manufacturing, other countries - manufacturing. I/K - manufacturing. Unit index not seasonally adjusted, refers to earnings in manufacturing, other countries - manufacturing inclusive. Real exchange rate: JP Morgan real effective exchange rate index versus: 18 inclusive in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

The bottom lin

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Shane Curran, Director, GT Global.





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oratorium urged on Swiss boycott Tobacco files

By John Authers in New York

US financial officials were urged by the World Jewish Congress at a New York conference yesterday to hold a three-month inoratorium before taking any further business their response to the issue of holocaust victims' accounts

secretary-general, at a special con- issue."

likely to succeed in averting any the next three months, and counter-productive. We have taken investments from Swiss institu further moves by US states or appeared to confirm that Swiss cities to withdraw business from banks were beginning to win over to the issue and we would expect Swiss banks until next March.

Mr Singer said: "We don't like sanctions against Swiss banks over who believe economic pressure is sanctions on Switzerland, and by successful as a means of bringing the US State Department. results. We describe the next 90 Israel Singer, the organisation's to anyone to resolve every last

their critics in the US.

It was supported by Madeleine boycotts of any kind and we oppose Kunin, the US ambassador to Switthem. But we understand those zerland, who strongly opposes

However, Thomas Borer, the The appeal was announced by days as a period when we will talk Swiss government's ambassador who co-ordinates the issue, made clear he was unhappy about the ference convened by Alan Hevesi, comptroller of New York City, in decision by Matt Fong, California in the future against Switzerland are unfair and against internaan attempt to agree a co-ordinated state treasurer, to lift his own are unfair and against interna-response on the issue. It seemed state's block on new business for tional law. Setting deadlines is also tional law. Setting deadlines is also force his state to withdraw all

an open and co-operative approach tions. Describing the money in doryou to do the same."

City councillors from Chicago Jersey both attacked Mr Singer's position. A Chicago alderman said the city had been "sitting" on an ordinance which would boycott any bank in Chicago which did mayor of New York, and from Paul business with any Swiss bank for Volcker, the chairman of the comthe last six months.

Joel Weingarten, an assemblyman from New Jersey, said he was sponsoring a bill which would

mant accounts as "blood money" he demanded that the banks give a precise date on which they would and a state legislator from New reimburse all holocaust victims

> The conference was also due to hear from Rudolf Giuliani, the jointly by the Swiss Bankers' Association and the World Jewish Con-

Freeh may be trying to avoid investigating issue of campaign funds

Bungles, mishaps and tension dog FBI

he banner headline "Deen Freich-Zed" in the tabloid New York Post last week referred to distinctly icy relations that have developed between Louis Freeh, the director of the Federal Bureau of Investigation tigation, and the White

The immediate cause was a much less than wholehearted end corsement for the FBI director from Mike McCurry the White House spokesman. Asked if Mr Freeh was the right man for the job, Mr McCurry said simply y that "he's the one in ctor was leading the aggrincy "as best he can". Of his was caused by persis

ant leaks, although no public statement, from the FBI in recent weeks that Mr Freeh wanted an independent counsel to investigate White House fund-raising, a call which Janet Reno, the attorney general, finally rejected last week.

Mr Freeh's behaviour has been more than a little puzzling. Since the former FBI and judge took over in 1993 from the disgraced William Sessions, the FBI has travelled a rocky road. Unfavourable comparisons have been sometimes murky heyday



Freeh: FBI director pushing for an independent investigator AP

there has been:

Texas: a blistering report on the quality of forensic evidence from the FBI's crime labora-

Since Mr Freeh took over • the slandering of the hapless Richard Jewell, the • the revelation that one of • the disaster of the Branch security guard who spotted Davidian siege in Waco, the Atlanta Olympic bomb: the bureau's destruction of an internal critique of its mishandling of the Ruby Ridge siege in 1992 when

and her daughter;

its agents spied for Moscow. There have been successes too, but also repeated tension with the White House over the political party campaign funding issue. And

agents shot dead a mother despite Ms Reno's clear-cut

the agency has tangled with politics - notably under Hoover and under Patrick Gray,

when the FBI allowed itself to be involved in the Watergate cover-up - it has tended to be the loser. The appointment of an independent counsel would still see FBI agents working on the investigation, but crucial decisions about prosecutions would be out of its hands.

Statement last week that

there was no case to answer over fundraising calls from

was apparently insisting

that an independent counsel

Freeh doing? The answer

may lie simply in his deter-

mination to get the FBI out

investigating the campaign

What, therefore, was Mr

should be appointed.

White House, Mr Freeh

while on the extremely narrow issue of President Bill Clinton and Vice-President Al Gore's phone calls there appears to be no case for an independent counsel, there may well be a case for one to investigate some of the myriad other aspects of the controversy. To date, these appear to involve lesser figures than the president and vice-president. But those inquiries may yet lead back to the

closed memo to Ms Reno as much about ensuring that the attorney general did not close off that possibility as persuade her to appoint an independent investigator over the White House calls.

Mr Freeh's as yet undis

Hence the odd spectacle of Mr Freeh appearing to push for such an appointment only then to declare publicly that he "fully respected" Ms Reno's decision not to do so.

Mr Freeh may be on the way to achieving his aim. The attorney general has now said publicly that an independent counsel could yet be appointed to examine other aspects of the affair, and she stated clearly at the weekend that no-one has been "exonerated" as a result of last week's decision. Asked if the White House "is not out of the woods", she said: "That's

The first test will come today when both the FBI director and the attorney House governmental affairs committee which wants them to "explain the differ ences" between them. The committee may well find there are now remarkably

Nicholas Timmins

to go public

to release confidential tobacco industry documents to the public in the next few weeks before lawmakers returned from recess to begin formal consideration of the proposed \$368.5bn tobacco settlement next month.

Speaking at hearings on the proposed settlement, Tom Stiley, chair of the House commerce committee, said he had subpoenaed the documents last week from four leading cigarette manufacturers, and they would now be scrutinised by a bipartisan congressional committee

before being released to the public.

Mr Bulley, traditionally a strong supporter of the tobacco industry, issued the subpoenas after the companies had refused to submit the documents voluntarily. The papers are expected to shed more light on the contentious question of how much and when tobacco companies knew about the addictive qualities of nicotine in their marketing and research campaigns. Most relate to the Liggett group, which has already settled with state attorneys-general. Mark Suzman, Washington ● Imperial Tobacco, Canada's largest cigarette maker. has withdrawn its sponsorship of sporting and cultural events in the face of uncertainty over government legislation to limit tobacco companies' ability to promote themselves at motor sport events, tennis matches and

Scott Morrison, Toronto

PANAMA

El Niño to curb canal use

The Panama Canal Commission has said draught restrictions on ships using the canal now seem inevitable next year because of water shortages caused by the El Niño weather phenomenon.

A commission meteorologist said El Niño - the periodic warming of the eastern Pacific ocean, affecting weather around the globe - had made last month the canal's second driest November on record, continuing a prolonged spell with less rain than usual. The level of Gatum lake, which controls the canal's water supply, is one metre above the level at which restrictions would be James Wilson, Panama City

■ WAR CRIMES

Canada plan for extradition

Canada is preparing legislation that would enable authorities to extradite suspected war criminals to stand trial before international tribunals. Ottawa can extradite suspects to countries with which it has signed a treaty, but the country's laws do not allow it to send suspects to

the International War Crimes tribunal in The Hague. The new legislation, likely to be tabled in early 1998, would apply mainly to modern-day war criminals from countries such as Somalia, Bosnia, Iraq, Afghanistan, Haiti, Ethiopia, Guatemala, Rwanda and El Salvador. Hundreds of suspects have entered Canada knowing they cannot be extradited to an international tribunal.

About 70 such people have already been removed from Canada, but it is thought that more than 300 death squad members, torturers and individuals accused of genocide remain in the country.

Canada has faced strong criticism for failing to bring suspected Nazi war criminals to justice following the

Argentina struggles for an accord on labour reform

But outgoing minister may have better luck seeking treasure

ome government minis- Argentina ters quit to spend more lies. But Armando Caro Figueroa, Argentina's outgoing labour minister, has

other ideas. Last week he said he wanted to search for treasure rumoured to have been huried by Jesuit missionaries in his native province

Perhaps this Indiana Jones-like quest will prove more fruitful than his attempts to broker a deal on labour reform between unions and employers. Efforts to modernise the country's antiquated labour laws have probably occupied more government time, to less effect, than any other

Last year President Carlos Menem tried to by-pass Congress and push through reform by decree, only to see the proposals blocked by the

This year the government sought to seduce employers and unions into a consensus, but business leaders saw their agenda sidelined in the Frustrated at the lack of

progress, Mr Caro Figueroa threatened the unions with a fresh attempt to impose change by decree, damaging his already poor relations

1989 90 91 92 93 94 96 98 97 Scurre, Datastream Forecast year-end

month, the demoralised minister stopped attending cabinet meetings altogether

Despite the false dawns. Argentina last month promised the International Monetary Fund that it would seek to pass a labour reform package by next June as part of deal for a three-year, \$2.8bn extended fund facility.

Local analysts argue that with Argentina facing slower growth next year as a result of the global financial turmoil, the need for renewed structural reforms has become more urgent. Increasing labour flexibility would be "a good signal for investors," said Raul Buonuome of Deutsche Morgan Grenfell.

The framework of labour laws goes back to the corpo-

have been pushing for changes in five main areas: collective bargaining; redundancy payments; healthcare contributions: automatic renewal of labour accords:

and flexibility in contracts. This agenda looks well-nigh impossible for the government to meet. In spite of ushering in a wave of privatisations and economic liberalisation since 1989, the ruling Peronist party retains strong links with union leaders and a rhetoric of worker solidarity.

The Peronist old guard does not share the enthusiasm for sweeping away labour market rigidities of Roque Fernández, the

finance minister. Adding to the difficulty of getting reform through Congress, the opposition Alliance, which groups the centrist Radical party and the centre-left Frepaso, says it will oppose any changes that add to job insecurity.

Given the delicate balance of political forces, few analysts expect deep reforms, at least in the short term. "We expect that some...agree-ments may be achieved." said Mr Buonuome. But cutting away at the entrenched power of the unions or fully deregulating healthcare

ratist state created under the would probably require an 1946-55 rule of General Juan agreement between Mr

Unemployment has fallen gradually from its May 1995 peak of 18.4 per cent, dipping to 16.1 per cent this May. A further fall, to about 14 or 15 per cent, is expected in new figures due out this month.

The stubbornly high headline rate has not reflected accelerating job creation, with 528,000 jobs created in the 12 months to October, according to labour ministry estimates

Many of those new jobs have been on flexible terms as employers have taken advantage of widespread job

But as the economy slows from this year's growth rate of about 8 per cent, the pace of job creation is likely to slacken and Argentina could face rising social tensions.

appointed last week as labour minister, said he wanted to secure a consenemployers on reform. He has a reputation as a tough negotiator. But there may well be times in the

months ahead when be

Antonio Erman González,

buried treasure with his pre Ken Warn

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Peru details mutual funds plan

By Sally Bowen in Lima

President Alberto Fujimori of Peru has announced further details of a programme designed to benefit retired Peruvians and public sector

A fund initially comprising \$500m-worth of shares retained by the state following privatisations will be made available from March next year. Marketing starts in January and 200,000 pensioners will be the first

 $C\underline{\Lambda}$

Three mutual funds will be selected to handle the the development of Peruvian "certificates of participation"

which participants will ment is required equivalent to 5 per cent of the face value of the certificates, which is set at about \$1,100. There will be a 30 per cent discount on the value of the package selected. The scheme will be widened to Continental (in which include around 600,000 public sector employees and the total value of shares fonica del Peru and Cemenreach \$1.3bn Mr Fujimori enjoy a degree of liquidity, said eventual listing of the hitherto untraded shares

capital markets.

Shares in six former statereceive. A cash down pay- owned companies, all now controlled and managed by the private sector, will comprise the initial "source fund". These are the electricity distribution and generation companies Edelnor, Luz del Sur and Edegel, Banco Spain's Banco Bilbao Viz- avi, a long-established houscaya has a half share), Teleincluded could eventually tos Norte Pacasmayo. All but new shares would be listed only gradually so as would give fresh impulse to not to distort the local stock market, Mr Pujimori said.

The creation of a housing

Called Mivivienda ("my home"), this aims to assist the construction and purchase by middle-income Peruvians of 50,000 houses. The state will put up 1bn new sol (\$370m) to launch Mivivienda, taken from Foning fund financed through a payroll tax. Beneficiaries will be cred-

it worthy Peruvians who do not own a house and who. contributed to Fonavi. They will be required to put up 10 per cent of the value of the

Companies confident that prime minister will limit employers' recognition obligations

Employers sense victory on union rights

By Robert Taylor,

The Confederation of British Industry, the biggest UK employers' lobby, is increasingly confident get the government to drop the it has convinced Tony Blair, the prime minister, to limit govern- demands on detail will be met." ment plans to strengthen trade union power through recognition rights from companies. The CBI believes Mr Blair is moving towards its view that legislation should ensure union recognition does not threaten competitiveness or provoke industrial conflict. John Cridland, the CBI's human

resources director, said: "The gov- the TUC, said he would be "very 30 per cent support from employees We remain opposed to union recognition on principle, but if we can't idea we are confident our specific

Mr Blair is understood to want most employees in a bargaining unit to agree in a secret ballot to recognition before it could be introduced. He rejects the Trades Union Congress view that only most of those voting in a ballot would be needed to secure recognition. John Monks, general secretary of

ernment is listening to us. We and disappointed" if the government in a bargaining unit before a recog-Mr Blair share common objectives. did not accept the TUC line on nition ballot can be held. recognition, but union leaders fear • Small companies to Mr Blair is moving towards acceptance of the CBI position. In an agreed statement yesterday the CBI and the TUC set out their positions they will discuss today with Margaret Beckett, the chief industry minister. The government will publish a policy paper on recognition early next year with the pros-

> The CBI wants: ● Trade unions to "demonstrate" ● Employers allowed to call a sanctions for "non-compliance".

parliamentary session.

pect of legislation in the 1998-1999

• The employer to decide the size of the relevant bargaining unit. Training to be excluded from collective bargaining.

Individuals free to agree their

own terms and conditions with employers even if they work in units covered by union recognition. Disruption in pursuit of union recognition deemed "inappropri-

union derecognition ballot where 30 per cent of employees "demonstrate" they want one.

The TUC opposes all CBI demands, Both sides accept recognition agreements must be "voluntary wherever possible" with "an effective infrastructure" supervising procedures. The TUC would resolve inter-union disputes over who should seek recognition; a comparable claim could only be made three years after the previ-ous one failed; ballots would be independent; and no "punitive

Dutch

enter

system

By George Graham, Banking Editor

1999, euros.

bank to

payments

ABN Amro, the Dutch bank,

is to become a member of the UK's "Chaps" high value

payments system. Member

ship of Chaps (Clearing

House Automated Payment

System) will allow the bank

to make instant payments in sterling and, after the launch of monetary union in

ABN will be only the

fourth non-UK bank to

become a Chaps member, fol-

lowing Citibank of the US.

Germany's Deutsche Bank

and France's Crédit Lyon-

nais. Even though the UK

will not be joining monetary

union in the first wave, the

Association of Payment

Clearing Services, the indus-

try grouping which co-

ordinates both wholesale

and retail payment services

in the UK, is determined

that Chaps will be able to

make euro payments from

Some smaller European

countries are even consider-

ing using the UK's Chaps

system as their principal

channel for euro payments.

Although payments have

long been considered a basic

banking utility, the business

of offering global payments

services to multinational

increasingly competitive,

with prices dropping steadily

over the last five years. Many leading interna-

tional banks believe that

only a handful of large play-

ers will be able to continue

Erik Post, senior executive

vice president for global

transaction services at ABN,

said Chans membership

"demonstrates the bank's commitment to enhancing

its position as one of the top five global providers of

The decision to join Chaps

involves considerable invest-

ment in information technol-

ogy connections. ABN said it

reinforced its commitment to

London as a major financial

Chaps is the largest real time payment system in the European Union, handling an average 70,000 payments,

transaction services".

centre after Emu.

to compete in this area.

the start of Emu.

UK NEWS DIGEST

Gulf payouts delay opposed

Debate on compensation for victims of illnesses linked to the 1990 Gulf War should not await the outcome of medical research, the Parliamentary Office of Science and Technology said yesterday.

The office, which gives independent advice to MPs, said extensive studies under way in Britain and the US would produce better understanding of "Gulf War Syndrome". But they will not answer definitively the question of interest to most individuals, i.e. What is behind my own symptoms and can I trace it back to my Gulf War service and prove cause and effect?"" the report said.

It added: "Debate on the adequacy and nature of the various current compensation schemes may therefore need to be independent of the current research programmes and their outcome." The Ministry of Defence has received notices from 1,465 Gulf War veterans who intend to claim compensation for Gulf-related illnesses Alexander Nicoll, London

RAIL PRIVATISATION

Railtrack may invite state stake

Shares in Railtrack, the privatised rail infrastructure company, rose 21 pence to £11.12 at one point yesterday after the company announced it was in the early stage of discussions with ministers about the government taking a minority holding. The shares later fell back to £10.94, a rise of 3 pence on the day. Analysts expressed doubts about whether it would ultimately prove practical for the government to take such a stake but some said it would be welcome as cementing relations between the parties.

This appears to have outwelghed fears that a shareholding would allow the government to meddle in Railtrack's commercial affairs and damage its business. The shareholding proposal is understood to have emerged after Railtrack expressed an interest in managing the infrastructure of the London Underground railway. The government is reviewing how best to bring private capital into the Underground. The Labour manifesto ruled out the "wholesale privatisation" of the Underground, and a government stake in Railtrack might make it easier for ministers to claim the government was retaining a say in running the Underground. Charles Batchelor, London

OPENCAST MINING

MPs criticise restriction moves

The government is facing growing internal opposition to any tightening of the planning restrictions on opencast coal mining designed to protect jobs in deep mine pits. Several English Labour backbench MPs have privately criticised the move, which they argue would threaten opencast jobs without safeguarding deep mines. The government would also face stiff resistance in Wales, where there are 1,300 opencast jobs in areas of high unemployment. Critics argue that restricting opencast production would merely lead to increase coal imports. "It would transfer jobs to Colombia not Yorkshire," said a mining area MP. David Wighton and Simon Holberton, London

RETAILING

Sales growth slows

The British Retail Consortium reports today that the value of retail sales rose by 1.1 per cent in November, the slowest rate for a year and a half. The three-month rolling average also points to a marked slowdown.

"The extent of the slowdown is surprising," said Andrew Sentance, chief economic adviser to the BRC. slower consumption growth is on the cards for next year.' The BRC's downbeat findings come a day after the Office for National Statistics reported an unexpected fall in manufacturing output during October. Factory production fell by 0.2 per cent, which prompted the ONS to cut its estimate of the underlying trend increase to just 1 per Robert Choie, Landon

NEW

■ COMMERCIAL VEHICLES

Iveco Ford confident of recovery

Iveco Ford, locked in a battle for market leadership with Leyland Daf, believes the UK truck market is recovering. Sales plunged at the start of the year but the November figures suggest that demand is buoyant.

"It looks like the truck market is going to finish up at 16,000-47,000 units, less than 10 per cent below last year's 52,000. After the last, dreadful winter we had been fearing it might not go over 44,000," said Nigel Emms, the group's external relations manager. He was commenting on Society of Motor Manufacturers and Traders' statistics showing that registrations of trucks over 3.5 tonnes jumped by 38.2 per cent in November. However, the industry pointed out that the increase is misleading, because the previous November's sales had been artificially depressed by the introduction of stricter exhaust emissions standards. The SMMT figures show that November's jump still left the truck market 11.4 per cent lower for the first 11 months of the year as a whole.

John Griffiths, London

UK truck registrations: November 1997

			-	-
	•	Nov 1997		Nov 1996
	Volume	% change	% share	% share
Total	4,360	38.2	100.0	100.0
Imports	2,796	38.8	64,1	63.9
Leyland Dat (Paccar)	900	58.6	20.8	18.6
Iveco Group" (Flat)	751	40,4	17.2	17.0
Mercedes-Benz (Daimier Benz)	0	-1008	0.0	13,9
Volvo	423	25.1	9.7	17.9
Scaria (Investor)	658	32.7	15.1	
MAN	332	67.7	7.6	6.3
EFF	250	38.1	5.7	5.7
Renault	225	158.6	5.2	2.8
Names in brackets indicate on 22 Includes Naco, Ford and S Source: Society of Mater Mar	eddan Atlanson	1	* Pescar ata	owns Faden

Manufacturers 'Silicon Gien' in Scotland attracts investors sit out storm over sterling

Britain's efforts to continue its strong record in attracting inward manufacturing investment are being hampered by a combination of economic turmoil in east Asia and the

strong pound. The spurt in sterling in the past year, which cuts into UK competitiveness by increasing the cost of exports, has started to damage the UK's general attractiveness as a place for setting up export-oriented production bases, according to trade officials.

In particular, companies from Germany, a strong investor in the UK in recent years, are rethinking new projects, a German government official said, "Sterling's strength means some [inward investment] projects that would have gone ahead are less likely to happen."

Samsung said late in November that it was putting on hold a £450m (\$751.5m) investment near Newcastle upon Tyne in north-east England, with just £100m of the cash spent. The plant had been due to number of 2,000 machines. employ 3,000 staff by the end of the century, making a range of goods including microwave ovens, computer linked directly to the turmoil

Samsung's decision came a according to Keith Tipping,

Several Asian companies with well-established operations defy economic turmoil

ny's industrial equipment subsidiary decided to shut down an excavator plant in England with the loss of nearly 100 jobs. Meanwhile, Hyundai has run into difficulties financing a £3bn semiconductor production project near Glasgow in Scotland.

But so far there are few signs that non-UK companies with established British manufacturing operations are ready to reduce their

A case in point is Komatsu, Japan's biggest construction equipment which has a large plant in company, which runs a large excavator factory in Birtley, near Newcastle upon Tyne. The plant this year is expected to make a record mainly for export to the rest. of Europe, with a value of about £130m The UK operation is run

largely independently of Komatsu's head office and is therefore unaffected by any economic problems in Asia,



East Kilbride, Bathgal

"We make our own decisions

and fund our own invest-

£5m a year at its UK plant

on investment projects including product develop-

It is a similar story at Jap-

anese printer maker OKI,

Cumbernauld, near Edin-

burgh. The company is

investing some £10m in a

operation on the back of

affected us." said Chris Gill.

UK managing director, "Cur-

rencies are part of the ebb

and flow of short-term

events, while we plan

ment and new tooling.

ments." he said.

company's UK activities. a plant in Hirwaun, south

Komatsu spends about manufacturing strategy.

European-wide warehousing scheme, one of the biggest

efforts to expand its market in Europe, is expected to cre-

share. "The problems in ate nearly 4,000 jobs by

Japan have not significantly around the end of the cen-

Japanese electronics man- interest from companies

South Queensferry

Wales, employing 500 people

making TVs, said there was

no reason to change its UK

"Our investments are in

place and it is business as

usual," the company said. At

LG, a Korean industrial

group planning a £2hn semi-

conductor and electronics

operation in Newport, also

south Wales, an executive

said there would be "no

delays" to the project. The

inward investment projects

tury, of which some 600 are

UK government officials

charged with promoting

inward investment can also

gain solace from a spurt in

already in place.



worst effects of the region's economic difficulties and which has a large number of medium-sized businesses particularly in computerrelated fields that are intent

on European expansion.

Britain is a prime target because of the strength of the country's personal computer manufacturing, partic ularly in lowland Scotland. "It's not really a question

of whether the Taiwanese companies want to come to Britain - they have to because their customers such as IBM and Compaq are requesting that they come here to set up plants for products such as power supplies and display monitors." said a Taiwanese industrial

\$3m state aid may have sealed factory deal

tor factory in northern England, Ian Without the grant, said Mr One of the world's top 10 monitor-McCartney, a junior industry minis- McCartney, "there was a real makers, ADI employs 3,000 people

A £2m (\$3.3m) state grant to a ADI Corporation of Taiwan, will be housing facility for the distribution armonic the first ADI manufacturing plant to open a computer monicular outside Asia.

ADI Corporation of Taiwan, will be housing facility for the distribution of monitors imported from the Far move, county council economic East.

ter, said yesterday.

possibility the firm would have and has plants in Taiwan. China them especia
The £10.5m development by ADI established a plant elsewhere in and Thailand. Its annual sales total been in cont
Manufacturing UK, an offshoot of Europe instead or set up a ware-nearly £600m, almost half in three years."

development chairman Stuart McKellar said: "The strong links we have developed with Tuiwan makes them especially welcome. We have been in contact with ADI for over

As part of the privatisation of

ZAMBIA CONSOLIDATED COPPER MINES LIMITED ("ZCCM")

conducted by the

ZAMBIA PRIVATISATION AGENCY

* * * * *

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incorporated as

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was acquired by a consortium comprising

THE NATIONAL GRID COMPANY PLC

MPI INTERNATIONAL LIMITED (a member of the Cinergy Group)

Legal Advisers to the Consortium: Ashurst Morris Crisp

Financial Advisers to the Consortium: Standard Bank London Limited







Farmers' union backs blockade over cheap beef

The National Farmers' Union yesterday gave official backing to blockades at UK ports against imports of cheap beef. Sir David Naish, union president, said farmers demonstrating within the law to stop cheap Republic of Ireland and mainland Europe were "supporting a most important

The protests, and the continuing European Union ban on British beef exports, are expected to be on the agenda when Jack Cunningham, agriculture minister, meets commissioner, in London

Sir David said the governfor £980m (\$1.63bn) to comwhich has cut EU support government.

hill farmers, who depend on

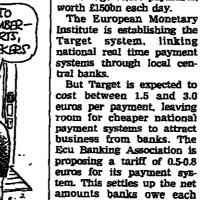
spending.
Tony Pexton, deputy president of the union, said free trade should be permitted, hut he sanctioned protests "if farmers are allowed by the authorities to talk to lorry drivers and convince them they ought to turn and

WHEN WE GET TO ENGLAND REMEMBER-YOU'RE NOT IMPORTS, YOU'RE ASYLUM SEEKERS

the middle of what was described as a "furious and Franz Fischler, the EU farm anxious" meeting of the union's 45 county chairmen in London to discuss a 47 per cent fall in farm incomes ment could resolve the prob- this year. The NFU today lem "overnight" by applying launches a £150,000 newspato the European Commission per advertising campaign asking people to back farmpensate farmers for the ers by buying UK produce sharp rise in the pound, and signing a petition to the

The heightened demands Mr Cunningham is consid- for emergency aid for the ering ways to target aid at industry followed a week of demonstrations at ports cattle and sheep. But the around the country. NFU Treasury is strongly resist- leaders were initially coning any increase in public cerned the protests would alienate the public but now see them as an effective

Union leaders in the Poole harbour in Dorset today to stop beef and milk from France. They have invited Mr Cunningham to a rally of farmers and workers



go home". rally of farmers and wor The statements came in Devon next Monday.

Unionists urge stronger British-Irish agreement

By John Murray Brown

David Trimble, leader of the

other at the end of the day,

rather than making gross

payments in real time

throughout the day.

Ulster Unionist party, yesment of the Republic of Ireland to strengthen the relationship between the republic and the UK as part of a settlement at the Northern Ireland talks. The Ulster south-west plan to picket Unionists are the largest pro-British party in Northern Ireland.

He said the east-west rela-

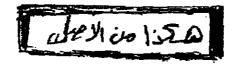
terday urged the govern- nationalist acquiescence to Ireland's. any outcome that leaves the • Formation of a breaknorth within the UK.

Anglo-Irish agreement mittee, was announced yesshould be replaced by a gen-terday. Bernadette Sands, uinely British-Irish agreement," Mr Trimble said.

tionship "dwarfed" any new port from Mo Mowlam, chief

Northern Ireland and the body would represent the republic. But the govern- interests of both British and ment of the republic Irish governments and believes the north-south future UK regional assemlinks will be essential to win blies including Northern

away nationalist group, the "The existing flawed 32 County Sovereignty Comsister of Bobby Sands, the IRA hunger striker who The Ulster Unionists' idea died in 1981, told RTE, the of a Council of the British Irish state broadcaster, that Isles has received broad sup- the new group would "attract nationalist-minded institutional linkages that Northern Ireland minister in people from right across the might be created between the UK government. The board".



The withdrawal in the UK of a promising diabetes drug is a blow for sufferers worldwide, Victoria Griffith reports

Bitter pill for insulin users

sion to withdraw Trog-drug's side-effects.
litazone from the UK The pills, adm market is a significant blow, not just to siles of the drug, but also to the hopes of diabetes sufferers worldwide anxious for innovative treatments.

Troglitazone - discovered by Sankyo in Japan and known by have now thrown a shadow over the brand names Noscal there. Rezulin in the US and Romozin in the UK - is one of a new class of drugs called "insulin sensitisers", that were halled as a promising weapon against diabetes before Glaxo's announcement.

The insulin sensitisers are state-of-the art for this disease," says Camilo Leslie, professor at the University of Miami's Diabetes Research Institute. "There is very little else in the pipe-

Glaxo Wellcome suspended marketing of Romozin because of a higher-than-expected incidence of liver malfunction in 147 of 370,000 patients taking the tab-

The US Food and Drug Administration has allowed sales in the US to continue, but has warned

The pills, administered to 600,000 American patients, have proved enormously successful since their March approval in the US, where they are marketed by a division of Warner-Lambert.

Questions about Troglitazone the entire class of insulin sensitisers. Researchers and patients had been excited about what looked like a reasonably full pipeline of new products. Sugen and Ligand, the US-

based biotechnology companies, are working on insulin sensitisers, with Ligand in phase II clinical trials. Some scientists also include Glucophage, the Bristol Myers Squibb drug licensed from Lipha, the French group, and introduced in the US in June, in the category, although the exact mechanism of that product is

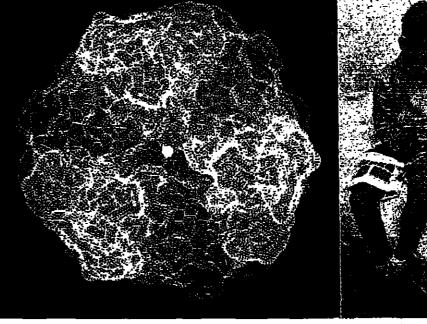
Rising rates of diabetes in the US have added urgency to the drug controversy. At the end of October, the Centres for Disease Control in Atlanta warned that dren. In Type 1 diabetes, the the body more receptive to the the disease was turning into a body's immune system becomes hormone. Control in Atlanta warned that

laxo Wellcome's deci-users to monitor closely the national epidemic, with a record 16m Americans diagnosed.

Higher levels of obesity and an ageing population are thought to be the main causes. The disappointment over Troglitazone is exacerbated by the recent suspension of Fenfluramine, the obesity drug popularly known as fenphen, which many diabetics were using to control their weight.

Insulin sensitisers present a new way of treating diabetes. because they address the under lying causes, rather than merely the symptoms of the disease. Diabetes impairs the body's ability to convert sugar (glucose) to energy. Insulin is the hormone that normally allows this conversion to take place.

Traditionally, treatments for the disease have focused on increasing the amount of insulin in the body. Pills marketed by companies like Hoechst, Novo Nordisk, Upjohn and Pfizer boost production of the hormone. This makes sense for those with Type 1 diabetes, an auto-immune disease that strikes adults and chil-



confused and begins to destroy its own insulin-producing cells.

It was long believed that Type 2 diabetics, who contract the disease in adulthood, also suffered from insufficient insulin production. Scientists now believe, however, that Type 2 patients have normal or even above normal supplies of the hormone: their bodies simply fail to make proper use of it. Insulin sensitisers address this problem by making

Troglitazone, discovered by serendipity before scientists understood much about the way it works, stimulates specific nuclear receptors in liver, muscle and fat cells that regulate the production of insulin-responsive

Ligand hopes to improve on the drug by adding another, similar receptor to the mix. "We believe a two-sided approach will prove even more effective," says Andres Negro-Vilar, chief scientific

Insulin sensitisers are not the only diabetes drugs under research. The biotechnology group Megabios is developing gene therapy approaches to the disease. At the end of October,

researchers at Massachusetts General Hospital said they had identified a new set of genes responsible for diabetes, paving the way for more progress. Yet genetic therapy approaches and treatments based on the MGH discovery are probably at least a

Researchers have not given up on the insulin sensitisers. "The number of people with liver complications from the disease in the UK was low." says Simeon Tay-lor, head of the diabetes department of the US National Institutes of Health. "I'm not saying the product should not have been pulled. But it may turn out to have a side-effect that strikes few patients."

Insulin sensitisers have exhibited unwanted side-effects in the past. Two promising drugs, Ciglitazone and Pioglitazone, were dropped from research because of

odej –

toxicity and neurological defects. One of the main challenges in fighting diabetes is that it is often not taken seriously. "It's a chronic disease, which by defini-tion means it is not usually immediately life-threatening, says Rubin Bressler, a professor of medicine at the University of Arizona. Toxicities in drugs to eddress it are not much tolerated by regulators or patients.

Hard-to-change lifestyles comicate matters; many diabetics fail to exercise more and eat fewer sweets, even after diagnosis. Because sufferers may not feel ill in the disease's early stages, the temptation to delay treatment, or fail to comply with recommended regimens is strong.

The long-term consequences of diabetes, however, can be dire: blindness, neurological problems. liver failure and, in a number of cases, death. That, and the growing incidence of the illness, has turned the search for treatments into a high-stakes match.

ver the next five years, 40m people are expected to pick up new hand-held satellite phones that can be used anywhere in the world. For network orierators, it could be a bonanza - but also a headache.

A battle is looming over the allocation of frequency spectrum that the services will need to operate. Three separate global satellite communications consortiums -Iridium, Globalstar and ICO - are each betting billions of dollars on systems that will operate virtually side by side on very narrow electromagnetic real

They will be jostling for position in a frequency range that lies roughly between the operating spectrum of conventional radar and a typical microwave oven (or 1-3 gigahertz). According to experts, the question is

not whether there will be a squeeze on allocated frequency spectrum - but when. "The allocation to Iridium and Globalstar is so limited that we're very concerned about interfering with

Crunch time for global mobiles each other," says John Klineberg, Satellite phone networks face a battle for

executive vice-president of Globalstar programmes at Space Systems Loral. "Until recently that was rather

straightforward because everybody was in the same geosynchronous [or geographically fixed] orbital location country by country." Now developments in satellite technology have changed the picture, he says.

With 32 of its 66 low earth orbit satellites (LEOs) already in place, the \$4.7bn (£2.8bn) Iridium system will fly in a constellation (or co-ordinated orbital pattern) 780km up. By 1999 it will allow subscribers to communicate via hand-held pagers and phones from virtually anywhere on earth.

Globalstar, meanwhile, launches the first four satellites of a \$2.5bn 48-satellite LEO constellation from Florida's Cape Canaveral in February. Orbiting 1,400km above the earth, the

frequency space, Bruce Dorminey reports

system will deliver service through existing wireline and cellular systems to most of the world's populated areas, and should be fully operational by the end of next year.

Then in 2000, ICO Global Communications will send up a \$1.4bn constellation of 10 satellites in a 10,355km middle earth orbit that will use both ground sites and satellites for total global coverage.

While such systems will take a few years to revolutionise telecommunications, they are already fuelling a firestorm among frequency planners. Previously, explains Simon Dinwiddy, frequency co-ordinator for

European Space Agency, geostationary

mications missions at the

satellites were assigned frequencies country by country. Antennas pointing to a geostationary satellite could use the same frequency because antennas on the ground picked up only one

satellite at time.
But with hand-held omni-directional satellite phones, once an assignation for a band has been made, that frequency is taken worldwide.

As demand increases, there will be more pressure to find technology to use existing spectrum better, because satellite voice commands at higher frequencies are subject to atmospheric interference. But techniques such as TDMA, FDMA and CDMA (time, frequency and code division multiple access) mechanisms can help because

they allow the stacking of signals on top of each other so that providers can share frequencies.

Still, the onus of frequency co-ordination ultimately lies with the Geneva-based International Telecommunications Union, even though its effectiveness in treaty enforcement is severely limited. Last month's meeting of the World

Radio Conference in Geneva brought that point home, as controversy grew surrounding the US Federal Communications Commission's auctioning of terrestrial services in the two gigahertz band.

That leaves ICO with no clear bandwidth for its services over US territory. Even though the consortium is appealing against the action, the FCC is offering ICO little alternative other than to help relocate the service that it would have to displace. As Henry Chasia, the ITU's deputy

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secretary-general, asks: who will pay

"It's not appropriate for mobile satellite systems to pay billions of dollars to relocate terrestrial systems to other frequencies, since the ITU agreed from the year 2000 that these frequencies should be available for mobile satellite systems," says Bob Phillips, ICO's vice-president of

But, in theory, WORC rules say that perations must allow for new systems if they have been approved by a global systems could be forced to cut back on services to accommodate newcomers, thus jeopardising the

"Even though there are dozens of proposed systems out there, there is probably sufficient spectrum available now to accommodate the systems that are likely to come into operation within the next five years," says Mr Phillips. "But we will hit a spectrum crunch in 2003."

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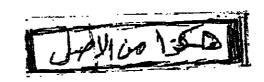
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or the take of the groups of sasets of the company described below:

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cition shall take place in accordance with the provisions of article dos of Law 1892/1990 (as supplemented by article 14 of Law 2000/9 sequently satisfactly, the leans and conditions are forth herein and the "ferror and Conditions of Sale" consisted in the Official and in. Such provisions and other ferms and conditions are supplemented in the Official and in. Such provisions and other ferms and conditions are manifested herein or no soon of blanking official shall recan acceptance of such provisions and other terms and conditions.

Substance of bending offers shall recan acceptance of such procedures and other terms and constituent.

Blanding Offers: Interested pattices are hereby invited in subart binding offers, not have than Thursday, January Bda, 1998, 12.00 hours to the Voter, Neutry Publa, Mr George Kalemera, No 100, 28th October St. Votos. Tel: 30+421+233+4. Offers should expressly state the offered price and the detailed terms of payment its cash or instalatents, remnoung the number of instalatents, the dates thereof and the proposed annual increase rate, if any 1, in the event of not specifying; a the way of payment, by whether the called amount stall bear forement and c) the interest rate, then it shall respectively be deemed that: a) the offered price is payable upon excusion of the sale contract, by the interest rate, then it shall be the legal case in force at the time. In all cases where the credited amount credited with bear no interest and c) the material rate shall be the legal case in force at the time. In all cases where the credited amount credited that bear no interest and c) the material rate shall be the legal case in force at the time. In all cases where the credited amount credited that be calculated in relation to the outstanding unmans and shall be payable or the dates of payment of each installment trains otherwise stated by the builders. Building offers substanced stars that the substance with the date of the obligations described and the confidence of the obligations described part outstances are substanced of the obligations deriving from the sale contract.

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Envelopes continuing the binding utters shall by unscaled by the above mentioned Notary Public in his office, on Thorsday, January 8th 1998, 14.00 hours. Any purty having duty submitted a binding offer shall be criticled to attend and sign the decal attenting the consulting of the

The Laquelistor shall give written aution to the highest bidders to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer analyse asy other amphosed terms, which may be suggested by the Creations and agreed appear in the event of the highest bridder not complying with such obligations, the Letter of Guarannoe shall be forfested as a penalty, Adjudication shall be decided to take effect upon execution of the contract of value.

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it. This Call has been drafted in Greek and translated into English. In any event, the Greek version shall prevail. in order to obtain a copy of the Officing Memorania and any further information please contact the Liquidanor "Ethniki Repbalcon S.A. Administration of Assets and Liabliner", %. Chrystophlotoxis St. Administration of Assets and Liabliner", %. Chrystophlotoxis St. Administration of Mrs. Martin Françaisatt. or the Liquidator's representative in Volos, Mr. Aristides Tagitatess, Attorney at Law Antomopoulou St. No. 1%, 39221 Volos, Tel.: +30-421-30316, Fax: +30-421-20373.

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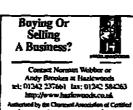
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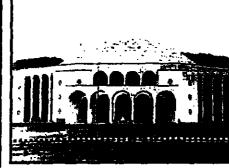
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Ahmad Waqar, Joint Secretary **Privatisation Commission,**

5-A, Constitution Avenue, Experts Advisory Cell Building, Islamahad, Pakistan Tel. No. (92-51) 9203881 Fax No. (92-51)9203076 email:root@pc-div.sdnpk.undp.org

NOTE

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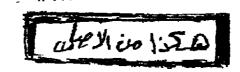
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A PERSON

On the other side of the easel

William Packer reviews the pre-Raphaelite women artists

ines, demonsised as the judgment is clearly wrong. eternal temptress, or simply celemodels, were an abiding interest and inspiration. But that has always been in large part true in all periods of art, and of most artists. The real point is that to speak thus of artists is to speak, with rare exceptions, only of men.

This is not the moment to rehearse the arguments of social history and engage feminism con-cerning the subordinate place and restricted opportunities of women in society. But what is undeniable is that only in modern times, since more or less the middle of the last an often mawkish, high-minded century, have women artists been emerging in increasing numbers, to achieve something approaching parity with men only within the last few years. The difficulty was always, in deed remains, for them to be taken seriously as artists in their own right. The twin dangers, of masc uline condescension on the one hand and feminist specialpleading on the other, also remain.

Risking both dangers, it was there fore both brave and useful an idea, on the part of the curators. Jan Marsh and Pamela Gerrish Nymn, to look at a loose grouping of pre-Raphaelite women artists ver that period of early emergence n any numbers. It is still easy, perhaps too easy, to be dismissive, for in several instances to make the case at all is to overstate it. Even so, pace Dr Johnson and his unkind example of a woman preaching, that so many of these paintings should have been done at all is extremely interesting. And at the risk of that very condescension, I have to say that more often than not they are surprisingly

In the particular instance of Evelyn de Morgan, wife of the poet and potter, William, it is a case almost of vindication of an artist whose work until now has been all

he Royal Court has begun

the third and final week of

its International Writers'

Festival. This is the Ger-

man week; and, curiously, the pat-

tern of its first evening was much

the same as that of the first even-

ing of the French week two weeks ago; i.e. a wonderfully performed

once-only reading of an enthrall-

readings, mark you, are of a differ-

This week's first-night reading

was Holy Mothers, by Werner

Schwab (who died in 1994), and has

been translated by Meredith Oakes.

Three old women – Grete, Erna,

Mariedl - talk, in the first scene,

about their private lives and about

turns to describe a shared fantasy

of a party at which they them-

ent play each night.

ingly, out of hand

o the pre-Raphaelites but invisible, so overblown and and their followers, ludicrous had it once seemed in women, whether ideal- the context of this exhibition, the ised as saints or hero- unkind superficiality of such a

The general failing, if failing it brated as wives, sisters, lovers, is, is the general subjection even in the best of them to the clear influence of their male contemporaries, in whose orbit they often found themselves – Evelyn de Morgan and Maria Spartali to Burne-Jones; Rosa Brett to her brother John: Emma Sandys to her brother Frederick: Joanna Boyce to Millais: Elizabeth Siddall to Morris and her husband Rossetti; Lucy Madox Brown also to Rossetti, who was her brother-in-law Eleanor Brickdale to Millais and Waterhouse.

> sentimentality to the work. which compounds this apparent lack of individuality. Even Julia Margaret Cameron, whose originality and reputation alike rest on her intuitive exploitation of the new medium of photography, could not resist Tennysonian narrative as her material.

ut the talent comes through. The death in childbirth in 1861 of Joanna Boyce, at barely 30, was a real loss to British art. Small in scale though it is, and intimate in its subject-matter, there is a freshness and assurance to her work quite at odds with her youth and domesticity. Emma Sandys too, dead of consumption in 1874 at only 31, has long rested in the shadow of her brother, her work often taken for his and only now being re-attributed to her, in her own right.

Evelyn de Morgan, perhaps not the best painter, is nevertheless the revelation of the show, for the sheer bravery and ambition of her work, large in scale and fraught with high moral purpose. She enjoyed considerable success in her lifetime (1855-1919), but if the symbolist narrative even of Burne-Jones should have long proved



Not just the artist's muse but artists in their own right: 'Melody' by Kate Bunce, (1890s)

But while we can admire Mrs de Morgan, we can actively enjoy "Melody" by Kate Bunce (1855-1927), a late but truly Rossettian siren from the 1890s, and warm even more to the Waterhousian idylls of Eleanor Brickdale (1872-1945). Hers was not alone in being a name new to me, but of all of them, it was the one I felt I should have known. She enjoyed a

uncongenial to later taste, by how long career that continued successmuch more would her own have ful into the 1930s, and is reprebeen forgotten. She deserves better sented here by a surprising number of spectacular examples from around the turn of the century. Which would one take: her Burd Helen in the wood disguised as "The Little Foot Page"; the wistful "Ugly Princess", looking down upon flirting lovers from her dark loft; the flamboyant set-piece of Silvius courting Phebe in As You Like It, "The Pale Complexion of True Love"? I'd have all three.

tion tells us, if nothing else, that such neglect is our loss. Pre-Raphaelite Women Artists: Manchester City Art Galleries. Manchester until February 22, then on to Birmingham and South-

unfinished garden tree and also the

exquisite "St Elizabeth of Hun-

gary" at her spinning-wheel, by

Marianne Stokes (1855-1927), wife of

the painter Adrian and another art-

ist too easily forgotten. This exhibi-

ampton: exhibition tour sponsored I also covet Rosa Brett's small by Willis Carron Fine Art.

Theatre/Alastair Macaulay

Three old women locked in their fantasies

both life and fantasy. A larger role, in fact, than her daughter Lydia: of whom the kindest thing she can say is "I 'one she's 'appy in Australia, ovaries or no ovaries." Erna also has a ghastly child, the drunken Hermann (whom Grete, however, finds a bit of all right). but she is more pious and modest God; in the second scene, they take in her romantic fantasies: which all centre on the God-fearing, teeto-

Mariedl, however, has neither selves - though each describing themselves in the third person men nor children in her life. Her are all present: a party which gets life and fantasy all hang on - get increasingly, hilariously, touchthis - her unparalleled ability to clear blocked lavatories with her Grete, once divorced and once widowed, has been quite a goer in blockage that could resist her?")

tal local sausage-maker.

ing, surprising, and marvellous her time, and her fantasies are of Grete can take some of this. ("I beer), then a third (in which, after play at 7pm followed at 8.45pm by flirtation and sexual fulfilment; but always say 'If the Lord God created plunging in her arm "right up to by David Tushingham, and a good staging of a gloomy and her beloved dachshund, Lydia, the world, He also created human the hairs on her armpit", she finds directed by Mary Peate, Many of its altogether less fine play. The 7pm plays a peculiarly intrusive role in excrement.") But it offends Erna. a bottle of perfume). It is a pity scenes are extremely short, and all ("It's bad enough people have to go that the play suddenly changes to the toilet. And have wicked gear in its last 10 minutes. thoughts.")

However, they manage, most of the time, to co-exist and to stimulate each other. Somehow the prim Erna ("Sex is a tragedy for mankind") puts up with Grete's fantasy ("He has to keep adjusting his lederhosen"), and vice versa; but the jaw-dropper is Mariedl, who how she wins acclaim at this party by clearing one lavatory (it contains a tin of goulash: "the first time it's happened to Mariedl that

leanor Bron made much (almost too much) of the lascivious Grete, Freda Dowie was affectingly quiet as the pious Erna, but Liz Smith stole the play and my heart as Mariedl. She is the kind of actress who can make you fall about carries on in immense detail of just by saying "Oh really?", and how she wins acclaim at this party who - like Irene Handl or Patricia Hayes - can add a dash of lyrical gentility to individual words to make them hang like cartoons in something blocking a toilet has the air. She will solemnly savour bare arms. ("Has there ever been a turned out to be edible"), then a chew - an ordinary paragraph to second (it contains a bottle of make it at the same time poignant

beautiful: they have seas, and mountains, and people having babies, and having quite difficult cynical about it. difficulties"). Fabulous, Stranger's House, the fully per-formed play that followed, came as

and funny: "Almost all films are

a dour anti-climax. A grim tale of Macedonians in exile and of the gradual discovery of past treachery, it is by Dea Loher, translated its stx characters are viewed coolly and without affection. Beneath all the alienation and distancing, a melodramatic sense of revelation keeps welling up; you keep expecting someone to cry, as in Hay Fever, "He - is - your - father!" Despite good performances and production, despite some good lines, despite intelligence all round, the play means to leave us cold and succeeds.

The Royal Court New European Writers' Season continues at its Theatre Unstairs on December 6. Sponsored by the John Studzinski Foundation and the British Coun-

Opera/Andrew Clark Fanfare for the common man

earing Poul Bunyan in the Suffolk village of Snape, where the Royal Opera unveiled its new prowas hard to avoid ghosts of the past this is where the dying Britten attended rehearsals for the European stage premiere in 1976. But let's not get sentimental. Britten's first theatre work variously described as his 'American opera" or "choral operetia" – is an awkward patchwork, and no opera manager would touch it if the name on the score was different. The composer himself suppressed it for 33 years after its first performances in New York in 1941, and was only persuaded by his cronies to take it out of the drawer after the onset of his final illness.

Francesca Zambello's staging is a simple, low-budget affair which does not mask the work's weaknesses. Here are Britten and Auden trying to ingratiate themselves with their wartime hosts. aping American manners and failing miserably. Auden's pitch at a vernacular style burches between the over-dextrous and the prosaic: Britten tries on 100 different outfits, from blues to sounding at home. Yes, there are some fascinating pointers to the mature Britten these are the moments most suited to Richard Hickox's strait-laced conducting - but they remain no more than pointers. Unlike Weill. whose Alabama Song in Mahagonnu is more American than anything in Bunyan, Britten lacked the popular touch.

Bunyon is, in fact, the flip side of the moral coin to Mahagonny, but lacks its universality. In the invisible figure of Bunyan, legendary chief of the lumberjacks, it sanitises the story of America's birth dressing him in the kind of exhortatory language we expect of a presidential speechwriter. Doubtless this had something to do with the post-depression climate of Roosevelt's New Deal, and the fact that Bunyan was originally designed for Broadway - a Britten-Auden fanfare for the common man. Both were too fresh to the American Eden to be

And the 26-year old Britten was already too sophisticated. In the first half especially, number after number lacks the necessary low-brow duction at the weekend, it pizzazz. The only moments where Britten lives up to the popular idiom are Tiny's "Mother, ch Mother" - a melody of uncommon charm and simplicity - and the Tiny-Slim duet, breaking out of the "Great Day of Discovery" chorus with the same romantic otherworldliness as Nannetta and Fenton in the Act 2 commotion of Falstaff. Beautifully sung by Susan Gritton and Mark Padmore, these are the outstanding numbers in the Royal Opera's production.

Palestrina. another risky ensemble piece which **⊿**opened the Royal Opera's year, Bunyan is the personal choice of the company's director, Nicholas Payne – and again, like Palestrina, his gamble does not quite come off. This seems unfair, for the cast is well-chosen - with an idiomatic ballad-singer in Peter Coleman-Wright, a refined Inkslinger in Thomas Randle and a beefy Helson in Jeremy White. Pamela Helen Stephen, Leah-Marian Jones barber-shop, without ever and Nicole Tibbels make a sexy female trio. The accents are convincing, chorus and orchestra are well-drilled.

What the performance needs, however, is showmanship - of the type briefly displayed in the telegram scenes, where the Western Union Boy (Henry Moss) dazzles the assembled company with his bicycle routines. It could also do with a subversive sense of humour: Hildegard Bechtler's drab set and Nicky Gillibrand's even drabber costumes make a depressing spectacle.

Paul Bunyan is worth seeing once. The Royal Opera's staging arrives at London's Shaftesbury Theatre tomorrow for five performances, but transatlantic travellers should note that New York City Opera is restaging the acclaimed Glimmerglass production in the spring. There is an excellent introduction on tape, written by Michael Rennedy for the Opera Bites

Sponsored by Eastern



Scene from Benjamin Britten's 'Paul Bunyan' Alexand Musi

INTERNATIONAL

AMSTERDAM

EXHIBITIONS adelijk Museum Tel: 31-20-5732911 www.stedelijk.nl Gabriel Orozco: Recordings and Drawings. Display of recent video works by the Mexican artist, filmed in New York and Amsterdam; to Dec 14

OPERA Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Dialogues des Carmélites: by Poulenc New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 10, 13

■ BERLIN CONCERTS Deutsche Oper Tel: 49-30-34384-01 Carmina Burana: by Ortf. Conducted by Rafael Frühbeck de Burgos. With the Clemencic Consort conducted by René Clemencic; Dec 14

Philharmonie Tel: 49-30-2548 8354 Berlin Philharmonic Orchestra conducted by Claudo Abbado in works by Wagner, Schumann and Beethoven; Dec 12, 13, 14

DANCE

Deutsche Oper Tel: 49-30-34384-01 Deutsche Oper Ballet: Rosalinde, choreographed by Ronald Hynd to music by J. Strauss; Dec 11 OPERA Deutsche Oper

Tel: 49-30-34384-01 Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas Reinhardt; Dec 9, 12 Hänsel und Gretel: by Humberdinck, Premiere conducted by Olaf Henzold in a staging by Andreas Homoki;

BOLOGNA **OPERA** Teatro Comunale Tel: 39-51-529 999 www.nettuno.it/bo/ teatrocomunale Turandot: by Puccini, Reviva conducted by Daniele Gatti in a staging by Hugo de Ana;

■ CHICAGO Lyric Opera of Chicago Tel: 1-312-332 2244

www.lvricopera.oru Amistad: world premiere of Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davles conducts a production by

> **■ EDINBURGH EXHIBITIONS** Scottish National Portrait

George C. Woolfe; Dec 11

Tel: 44-131-624 6200 Portraits of Excellence: a series of photographs of distinguished academics at the University of Edinburgh, commissioned according to an 18th century University tradition; to Feb 1

LONDON CONCERTS Barbican Hall Tel: 44-171-638 8891 Evelyn Glennie: recital by the percussion artist, accompanied by planist Philip Smith. Programme to include the world premiere of a new work by Dave Heath: Dec 9

EXHIBITIONS Barbican Centre Tel: 44-171-638 8891 Don McCullin – Sleeping With Ghosts: major retrospective of work by the photo-journalist which spans his career from 1959 to the present, includes prints drawn from the major stories he covered and more recent still lifes and landscapes;

James Ensor 1860-1949:

more than 140 works by the

Belgian expressionist. Includes early studies of Ostend, portraits of the artist's family and friends, and the carnival paintings for which he is best known; to Dec 14

OPERA Shaftesbury Theatre Tel: 44-171-379 5399 The Royal Opera: Paul Bunyan, by Britten. New production staged by Francesca Zambello and conducted by Richard Hickox; Dec 10, 11, 13

LOS ANGELES CONCERTS **Dorothy Chandler Pavilion** Tel: 1-213-365 3500 Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Ravel, Britten and Debussy. With soprano Sylvia McNair and the Los Angeles Master Chorale; Dec 11, 13, 14

■ MANCHESTER CONCERTS Bridgewater Hall Tel: 44-161-907 9000 Tosca: by Puccini. Concert performance given by the Hallé Orchestra and the European Orchestra in their first collaboration. Kent Nagano conducts; Dec 10, 11, 14

■ MILAN OPERA Teatro alla Scala Tel: 39-2-88791 Macbeth: by Verdi. Conducted by Riccardo Muti in a staging by Graham Vick, with designs by Maria Bjornson. Casts vary; look out for Maria Gulechina and Roberto Alagna; Dec 10, 13

NEW YORK DANCE New York City Ballet, New York State Theater Tel: 1-212-870 5570 George Balanchine's The Nutcracker, Dec 9, 10, 11, 12,

OPERA Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000 www.metopera.org The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Dawn Upshaw and Samuel Ramey; Dec 11

PARIS CONCERTS Salle Pleyel Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Wolfgang Sawallisch in works by Beethoven. With piano soloist Radu Lupu, soprano Luba Organasova, mezzo-soprano Marianne Roerholm, tenor Herbert Lippert, bass René Pape. Choir led by Arthur Oldham; Dec

OPERA Opéra National de Paris, Opéra Bastille Tel: 33-1-4473 1300

Der Rosenkavalier, by Strauss. New production conducted by Edo de Waart in a staging by Herbert Wernicke. Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Dec 11, 14

Opéra National de Paris, Palais Gamier Tel: 33-1-43439696 The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 9, 11, 14

Théâtre des Champs Elysées Tel: 33-1-49525050 Fidelio: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, with the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera. Conducted by Louis Langrée; Dec 9, 12

 Leonore: by Beathoven. Production staged by Patrice Caurier and Moshe Lelser, and conducted by Louis Langrée. With the Orchestre des Champs-Elysees and the Choir of the Welsh National Opera; Dec 10, 13

■ TOKYO EXHIBITIONS Museum of Contemporary Art

Tel: 81-3-5245 4111 Loans from the Centre Georges Pompidou: selection of 127 works from the Musee National d'Art Moderne in Paris, on loan while it is refurbished. Artists represented include Matisse and Picasso: to Dec 14

■ VIENNA

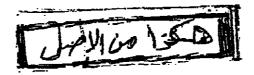
EXHIBITIONS Kunsthistorisches Museur Tel: 43-1-525240 Pieter Brueghel and Jan Brueghel: comprehensive survey of the art of the two sons of Pieter Brueghel the Elder. Includes around 130 paintings and 20 works on paper by Jan Brueghel the Elder (1568-1625) and his less celebrated brother Pleter Brueghel the Younger (1564-1637/8). The exhibition also includes a dozen important works by their father, enabling visitors to trace his influence upon the technique of his sons:

■ TV AND RADIO ● WORLD SERVICE BBC World Service radio for Europe can be received in tem Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV Monday to Friday, Central European Time:

 NBC Europe 10.00: European Money Wheel Nonstop live coverage until 15.00 of European business and the financial markets. 17.30: Financial Times Business Tonight

● CNBC 08.30: Squawk Box 10.00: European Money Wheel 18.00: Financial Times Business Tonight





\$23bn; and, for South Korea.

the \$57bn announced last

week. The IMF alone has

made \$3.9bn available to

But doing something on a

There are three precise

objections to what the IMF

The first is that, by impos-

ing a damagingly tough

squeeze on economic activ-

ity in affected countries, the

IMF risks undermining, not

restoring, investor confi-

dence. The second is that by

insisting on faster liberalisa-

tion of capital inflows, the

IMF may exacerbate finan-

cial vulnerability. The third

is that these vast bailouts

may encourage further folly,

Careful examination of

the Asian crisis reveals why

these criticisms have force.

This is a calamity that has

befallen the private sector.

As Joseph Stiglitz, the

World Bank's chief econo-

mist, argued in Kuala Lum-

pur this month east Asian

countries suffer neither

from fiscal profligacy nor

high inflation. Savings are

generally well over 30 per

cent of gross domestic prod-

uct. Both the skills and

work ethic of their peoples

esia and \$21bn to Korea.

Martin Wolf

Same old IMF medicine

The Fund's prescription for South Korea is mistaken. It risks sending the corporate sector into a downward spiral of debt deflation and bankruptcy

bleed his patients.

distinction needs to be made

between measures to

the financial sector, on the

one hand, and liberalisation

of financial transactions,

domestic and foreign, on the

other. Partial liberalisation

of transactions within unre-

formed and undercapitalised

financial systems has been

at the root of the crisis. Any

such combination is a recipe

How well, then, do IMF

programmes avoid these

dangers? Not particularly

well. Just consider the Kor-

short-term interest rates

per cent, a real rate of over

• in spite of a devaluation

against the dollar of more

than 30 per cent over the

past 12 months, monetary

policy is seeking to main-

tain a low inflation rate of 5

the inevitable cyclical

loosening of fiscal policy is

ean programme:

per cent or less;

15 per cent;

ike deer, investors outward-looking economies graze happily for a while, ignoring the whose private sectors have peril of predators demonstrated global comsleep nearby. Then, when petitiveness. startled, they stampede. Thus the comparison These are the skittish beasts between South Korea and that the International Monetary Fund is trying to cajcle

the former East Germany made by David Hale of the Zurich group seems absurd: Asian feeding ground. The in 1995 Korea's exports to question is whether it is competitive world markets loing this in the best possiwere a third of its gross domestic product. Between ble way. The answer is no. 1990 and 1995, export vol-The IMF's mistakes have little to do with the scale of ume grew at an average rate the response. The Fund and of 7.4 per cent. East Gerthe governments supporting many had no Samsungs. it have mustered a great If these economies have deal of money to tackle the neither been grossly miscrisis that began last June: for Thailand, \$17.2bn

managed nor failed to generate internationally competi-(£10.2bn); for Indonesia, tive production, why have front-line financing of they been subject to such vicious market attack? The chief answer is that they possess significant financial weaknesses: credit evalua-Thailand, \$10.1bn to Indontion is virtually nonexistent, corporate accounts are defective, transactions spectacular scale does not are influenced by personal relations, and banks and make the details right. private companies have inadequate equity.

The salience of these weaknesses has been increased by policy errors, notably adherence to fixed exchange rates, and turbulence abroad, particularly to treat debt deflation as if

Singapore

Developing

Indonesia

Chine .

East Asians are fiscally prudent

April 1995 and the earlier devaluation of the Chinese yuan. Partial integration into a world financial system unable to evaluate risk either intelligently or consistently has exacerbated ill effects. Capital first flowed in on a flood tide, then poured out, leaving devastation in its wake. The failure of outsiders to

foresee problems ahead has been striking. Two leading credit rating services. Moody's and Standard & Poor's, failed to downgrade long-term debt ratings of Indonesia, Malaysia or Thailand in the year and a half for disaster. to June 1997. Instead, downgradings followed the crisis and exacerbated it. The IMF's task is to

restore confidence and encourage needed reforms. But it is also to avoid imposing an unnecessarily severe squeeze. This last is not just the Fund's raison d'être, but economically essential. If the illness is debt deflation, a significant economic slowdown must make the patient's condition worse. High real interest rates in highly indebted economies are dangerous. For the IMF

> to be offset by a structural fiscal tightening of 1% per The conclusion: however sick Korean companies and banks may be now, they will

soon be sicker. Turn then to the structural reforms in Korea. Foreign investment in domestic financial institutions is to be liberalised, as is foreign equity investment. These are helpful changes. But the decision to open domestic foreign investors is highly questionable in current circonstances. As for proposed elimination of restrictions Barnes, Spreads and Risks on foreign borrowings by in Emerging Market Lenddomestic corporations, this ing, Washington, Institute looks dangerous. The last for International Finance, thing one gives quitepossibly bankrupt companies is freedom to borrow

are impressive. These are the strengthening of the dol- it were a traditional ill such themselves out of trouble.

lar against the yen after as high inflation and fiscal These weaknesses are significant enough. Unhappily, profligacy is little more scientific than for a doctor to there is more. The IMF may have halted the contagion Again, when confronting and could, if its programme the challenges of financial works, help restore the conliberalisation and reform, a fidence needed for new lending and investment. But it has also helped ball out foolstrengthen the robustness of ish investors.

Washington-based Institute for International Finance, released last week, shows just how over-optimistic lenders to emerging markets became between the second quarter of 1995 and the third quarter of this year.* The risk is that they may return to their old ways too soon. To be fair to the DMF. there are no easy ways out

of a financial crisis, once started. There is always a trade-off between dealing with the panic, initiating are being raised to over 21 fundamental reforms and minimising moral hazard. For this reason, it is even

more important to prevent crises in the first place. For developing countries, the lessons of this one include avoiding exchange rate pegs, strengthening financial systems and creating effective ways to restructure company finances. East Asian governments, ever pragmatic, are likely to

learn these lessons swiftly. Yet lessons do not stop with countries caught out this time. The global financial system seems vulnerable to manic swings of mood. The powers-that-be need to ask why crises arise so often and what they can do to prevent them. The big task is not just to halt the present panic. It is to minimise the chances of recurmoney and bond markets to rence. But that is a subject for another column.

> *William Cline and Kevin December 1997.

Martin.Wolf@FT.com

Europe needs you to think positively

Europeans should not forget their achievements of the past 50 years, argues Dominique Moïsi

he European Union has set itself three challenges in the years to come: establishing the euro as a single currency, reforming the EU's institutions; and enlarging the union eastwards. These three legitimate goals will be even more difficult to achieve if a fourth objective is not given a much higher priority: ral-lying public opinion to "the

cause of Europe". The public is divided. Those who oppose Europe do so passionately. Those who support it do so at best moderately, or at worst with a kind of passive resignation. On economic and monetary union, for instance, polls show that a growing majority of Europeans believe that the euro will come about more or less inevitably. But the number of those who oppose it is increasing pro-

portionately. The cause of Europe does not speak to the emotions of its citizens. Some prefer it that way. They think that emotions and politics should not be mixed, especially on a continent where in the 1930s in Nazi Germany emotions were manipulated for the most barbaric of causes. They could also argue

that, in today's Europe, many issues are technocratic in nature: the Maastrict criteria for Emu: the calendar for the euro's introduction: the challenge of respecting national sovereignty while pressing for ever-stronger European institutions; the cost of enlargement. None of these seem to provide an emotional base. The issues are too dry or too technical. Yet it is not only wrong but dangerous to forget about the active support of public opinion in the construction of Europe. To do so is to widen the gap between the ruling elites - those who have access to the facts and can understand the issues and ordinary voters. That is undemocratic and poten-

Just as man does not live remain strong, but the poliby bread alone, so Europe tical foundations are not. cannot rest on the euro Asia is paying the price in alone. If popular support is economic terms, of nonlacking, then projects such democratic and too-often corrupt practices, as well as as the euro, or enlargement, may not survive the rough weather they will inevitably Asian sense of solidarity. face. Europe must try to tap a reservoir of positive emotions. And it cannot do so if its message remains negative or technocratic.

In France in 1992, the debate about the Maastricht of reconciliation. referendum was really a debate about Germany. Did the treaty offer the best guarantee against the potential threat of a reunited and powerful Germany, or would it lead instead to a fatal abandonment to German supremacy in Europe?

That same reflex of negative thinking prevails today. Europe, according to some of its advocates, constitutes the best guarantee against the future unilateralism from the US or future competitive challenges from Asia.

These concerns may be legitimate, but if you want to create a "People's Europe" - to use the phrase of Tony Blair, the UK prime minister you need to convince Europeans that they bave reasons to be proud of themselves and of what they have

achieved during the past 50 To the rest of the world. Europe stands for a humane model of social and economic growth; a unique model of national reconciliation; and a unique reservoir of pluralism and diversity. Whatever the differences between "New Labour" in Great Britain and "Old Labour" in France: whatever the truths or fallacies of the "Dutch model" or the clumsiness of the German one, Europeans have achieved a relatively harmonious eco- means towards an end, but nomic system. It is a system an inherent value; an end in that seems in retrospect itself. much more stable than the Asian model, if less dynamic The author is deputy director than the American.

darity - whatever their petty quarrels - they owe it not only to their institutions but also to their unique process Europe has a message to give to the rest of the world on the eve of the 21st century, based on its tragic and

that of the lack of any real

If Europeans have man-

aged to keep a sense of soli-

contradictory past. It is a message of reconciliation, Franco-German one begun 50 years ago, but which now extends to cover countries in Eastern Europe.

Beyond reconciliation. there is also foreign policy and democratic appeal. Europe has failed tragically in the Balkans, its divisions and lack of political will preventing it from playing a decisive role.

But Europe is succeeding in central Europe, its enlargement policy being crucial to the democratisation and economic progress of the region.

These positive messages however, would remain abstract if unaccompanied by results. In political terms that means to affirm a European policy in Bosnia. How can Europe be serious about creating common security, and not translate it where it matters most, in the Balkans?

In economic terms, the message is backed by significant success in the fight against unemployment. Above all, Europeans should be convinced that a united Europe is not simply a

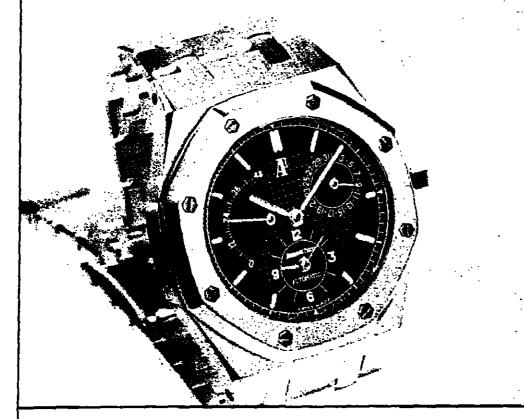
of the Paris-based Institut The economic foundations Français des Rélations Interof Asian countries may nationales

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·LETTERS TO THE EDITOR·

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e are keen to encourage letters from readers around the world. Letters may be faited to +44 171-873-5938 (please set fax to fine): e mail: letters editor@it.com Published letters are also available on the FT web site, http://www.FT.com/Translation may be available for letters written in the main international languages.

Private funds changed air travel

From Mr Raymond J. Woldmann.

Sir, Ian Massey, Airbus's financial controller, provides a unique version of Boeing history (Letters, November 27) in claiming that the 707 and 747 were developed with government funds. It is also incorrect. The record is indisputable: for both the 707 and the 747, Boeing invested private funds equal to its net worth to create aircraft that changed the course of air

Boeing privately financed the Boeing "Dash 80", which was the prototype for both the 707 and the KC-135. As for the 747, yes, it did take part in - but lost - the competition to develop an aircraft that became the Lockheed C-5. It received the magnificent sum of \$6m from the US government for the preparation of its techni-

Banned by

busybodies

From Mr Rainer Stephan.

anti-tobacco activists or

a tobacco ad ban would

vent kids taking up the

Sir, Who, except for some

some simple-minded health

politicians, would think that

reduce adult smoking or pre-

habit? There is no advertis-

ing for marijuana smoking

heavy teenage drug con-

or heroin taking, yet there is

sumption all over the world.

It is not the business of

the Commission or of Euro-

pean health ministers to

decide on a European anti-

smoking policy. EU action is

allowed only for reasons of

completion of the internal

market. Certainly a tobacco

ad ban does little if anything

to improve the internal market, and even less with the

permanent exemption granted in last-minute horsetrading to Greece. The EU

health ministers' decision

turns out to be the work of

hypocrites and busybodies.

Smokers' Club Germany,

Rainer Stephan.

vice chairman,

Koogstrasse 33,

D-25541 Brunsbuttel,

cal proposal. But even an Airbus accountant must acknowledge that the cost of competing for the Air Force contract (much less converting a high-wing military

freighter concept to a commercially viable passenger airplane) dwarfed that sum. Beyond that, history will show that Boeing was working on a very large commercial aircraft design well before the C-5 competition. And, of course, as anyone

familiar with our history will know, not only did Boeing privately fund the cost of developing and bringing the 747 to market, but the risk was such that we were considered to have "bet the company" on the outcome. Given the Airbus experience, it is understandable that there is some confusion in differentiating state support from private funding, which, of

Prom Mr Michael Ingham.

Sir, As a (very) small investor with no professional

experience of international

theless fascinated by

capital markets, I was never-

D.K. Patel's letter (December

4) Suggesting that the Asian

financial upheaval poses

questions about the rating

Perhaps most of those

questions need only be rhe-

torical, as the agencies' fees

are, I believe, paid by bor-

rowers or offerers of equity

However, there seems to

be another intriguing angle

here. I vaguely recall read-

rather than by potential

lenders or shareholders.

course, must be returned to the lenders according to a strict timetable and at market interest rates.

As to Mr Massey's complaint regarding Nasa research funds: first, the vast majority of Nasa-funded research moves quickly into the public domain and is available to (and often used) by Airbus; second, research and development funding does not have the tradedistorting effect that govern-ment launch aid does; third, the 1992 Bilateral Agreement between the US government and the European Union is the proper forum in which to

Raymond J. Waldmann, vice-president international business, The Boeing Company, PO Box 3707 MS 1F-51, Seattle, WA 98124-2207, US

ing reports in the Financial Times of new entrants and

greater competition in the

ratings "market". Is this an

example of an economic lib-eral's nightmare: increased

competition causing quality

to decline and market trans-

parency to deteriorate? Or

are there already consul-

tants advising investors on

the choice of ratings agen-

cies, like those helping pen-

sion fund trustees select

27 Wordsworth Street.

Michael Ingham,

Penrith,

presumably therefore

Ratings and the nightmare

of every economic liberal

have these issues addressed.

Yet another airing for an old idea

From N.P.E. Wheeler. Sir. In "NCR tries 'eveprint' technology in cash machines" (December 1) you report on a proposed trial of retinal pattern recognition (RPR) for automated teller machines' identification pur-

Biometric identifications. of which RPR is a very old example, use some personal physical characteristic of the would-be user of a facility in lieu of a PIN number. Many other methods have been tried, such as fingerprints which you also mention, voice recognition, signatures and hand shape. None has stood the acid test of combining an acceptable "false admission rate" with an acceptable "valid entrant

lockout rate". RPR was used more than 10 years ago for controlling access to sensitive Israeli government installations. In such cases the necessary strict user discipline, such as standing still and not objecting to applying one's face to a publicly used eyepiece, can be enforced.

It has been shown over and over again that ordinary members of the public will not stand for this. All measures to make biometric systems "user friendly" result in degrading effective ness as regards false admis-

I shall be astonished if this old chestnut proves to be a winner this time.

N. P. E. Wheeler. electronic consultant. 20 Cavendish Road. SUITEY SM2 5ER. UK

LSE running out of time to set prices to rights

From Mr Christopher Bomford.

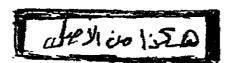
Sir, The London Stock Exchange has less than a month to find a way to stabilise share prices before the year-end. The well-publicised problems associated with Sets' pricing of shares, particularly at the beginning and end of the day, are noth-

ing to the potential distortions which will undoubtedly occur on December 31 when a thinly attended market will be trading for the morning only.

Year-end valuations could be substantially mispriced with potentially serious consequences for those companies and funds which close

their books at this time. I sincerely hope a solution will be found to avert the problem on this and every trading day.

Christopher Bomford, Woodstock Cottage, Reading Road. Wallingford.



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ANCIAL TIMES

ne Southwark Bridge, London SE1 9HL 3000 Telex: 922186 Fax: +44 171-407 5700 December 9 1997

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FUTUR_{e Swiss} Big hurdle

has shown such "in-

s regional or In Switzernking consolidaocess has been ogical conclusion: w only two national npeting with (and ubsorbing) a host of

ctern will be increas-

mmon elsewhere in but at a substantial is noticeable that the iss banks are allowing imes longer to integrate iomestic branch networks to bring together their national investment bankarms - even though the job ses in each case are roughly mparable. This illustrates the cklish nature of this type of estructuring. Politicians, trade unions and clients all need to be assured that their interests will not be too badly damaged.

Expensive process

National consolidation is difficult enough. Beyond lies a still more demanding task, the creation of continent-wide financial services institutions - given added impetus by the introduction of a European currency from 1999. Whether carried out by acquisition or organic expansion, it is a difficult and expensive process. The latest arrival in any banking market always ends up as a magnet for poor future. It credit risks. Those banks which the task.

art of to suffer from years of depressed profitability; those which stay safely at home risk condemning themselves to a bulge strategic blind alley.

In the parallel race, for membership of the global bulge bracket of investment banks, most European contestants the sensig with a
w them to

meany given up - a fact
underlined in recent weeks by
the withdrawal of the two British entrants. With announcement, UBS and SBC have made it clear that they are still in the running. Their merged successor will be one o at most four European banks that can still make this claim But, as the merger announce ment makes clear, a big hurdle

> "A priority in investment hanking will be to continue to expand further in the US market," it says. Only Credit Suisse has a significant presence at the heart of US investment banking. the most lucrative market. Without such a presence, other European contenders will languish. Yet acquisition targets are few, and - as Credit Suisse knows to its cost - integrating a newly purchased US investment

> The future shape of the European banking industry is already clear. At one extreme will be two - at most three global investment banks, each with a domestic banking business stuck awkwardly on the

profitable, focused retail financial services businesses, mostly operating within national or local boundaries, but occasionally appealing to wider communities of similar income and habits. In the middle will be a clutch of large-to-middling commercial banks. Some of these will make a successful transition to continental or international scale; most will languish as low-profit quasi-utilities.

European bankers are struggling to come to terms with this future. It is hard to envy them

Iran comes in from the cold

The Islamic republic of Iran is having an epic month. Last of international terrorism, a week its national football team saboteur of the Middle East qualified for the World Cup next vear in France and – deliciously - has been drawn against the US. "the Great Satan". But even before it does battle with the Americans on the football field. Tehran can claim to have overcome Washington's efforts to isolate Iran internationally.

Today, 51 Moslem countries, more than 30 of them represented by their heads of state. are in Tehran for an Islamic summit which will be the biggest international gathering in Iran since the 1979 revolution. By contrast, last month's USbacked Middle East economic conference in Qatar was boycotted by Washington's Arab friends or attended by lowly officials.

The clerical regime in Tehran. until now feared for its attempts to export its brand of militant Islam throughout the region, is coming in from the cold.

The brightest jewels in the summit crown for Iran are the presence of Crown Prince Abdullah, heir to the Saudi to extreme lengths, its diplothrone, and of Egypt, which although it does not have diplomatic relations with Tehran is boycott of international compa sending its foreign minister. nies doing business with Israel Both countries, important American allies in the Middle on Arab diplomatic and com-East, have accused Iran of countries, as have Bahrain. Sudan from pushing through a Kuwait, and the United Arab condemnation of all sanctions Emirates, all present in Tehran.

Moslem anger

But the most remarkable summit guest is Taha Yassin Ramadan, vice-president of Iraq, with which Iran was at war for most of the 1980s. His presence is a diplomatic coup for Baghdad. spurned by the Arab League and against any company that since Saddam Hussein's 1990 invasion of Kuwait.

The breadth of this high-level turn-out reflects widespread Moslem anger at Israel's failure Russia work out a policy which to honour its peace commit- holds Iran to its new-found modments to the Palestinians - and eration, based on an agreed sys-US failure to do anything about tem of rewards and penalties for it. But it also reflects Iran's its international behaviour. Iran movement back towards the could not be isolated before this mainstream of Moslem nations. summit, much less now.

The US sees Iran as a sponsor peace process, and a threat to the region because it is trying to acquire weapons of mass destruction. Most Arab countries were happy to echo this until recently.

International treaties

But many now realise that Islamist groups in Egypt led by veterans of the Afghanistan war against the former Soviet Union. They remain ner vous of Iran acquiring ballistic missile technology but point out that Tehran is signed up to international treaties on nuclear and chemical weapons proliferation while Israel - pos sessor of the region's sole nuclear arsenal - is not. As for the peace process. Iran's criti cisms are beginning to sound moderate in comparison to those now heard in Egypt and Jordan, which have signed treaties with Israel.

Tehran is taking its moderation mats preparing summit resolutions have avoided restoring the in favour of a call for a freeze mercial ties with the Jewish on "rogue states", arguing for a

case-by-case approach. Such a differentlated approach is what the European Union would like from Washington, whose "dual containment" policy has weakened the case for UN-endorsed sanctions against Iraq by confusing them with US sanctions against Iran,

invests in Iranian oil and gas. The US should decouple its policies on Iran and Iraq. It should then with the EU and

The FT Interview • Lionel Jospin

France's new champion

The prime minister tells Robert Graham and Andrew Jack that his government is in it for the long haul, not the quick fix

prime minister, pops over to introduce himself as he is escorting a group of people round his offices at the Hotel Matignon.

"You don't mind waiting: these are mayors from my region who bave been here to lunch," he says, ushering them into a formal salon for a photograph.

The mayors are an ill-assorted bunch of ordinary folk in jovial mood, lapping up their host's company. The incident reveals how assiduously Mr Jospin has cultivated the image of the "people's prime minister" since his Socialist-led government took office in June.
At that time, he appeared little

prepared for the job. He had won election, it seemed, because of the unpopularity of his Conser-vative predecessor, not for his own party's programme. His comments on European economic and monetary union raised fears about whether France was preto observe the Maastricht criteria and even about future Franco-German relations. His commitment to a 35-hour week rattled businessmen. Few people were confident that France could peacefully manage a long period of cohabitation between a Socialist prime minister and Gaullist

Yet now, after a remarkably deft six months, Mr Jospin is allying such fears. The euro is on track. France's role in it is secure. The relationship with Germany is solid. And Mr Jospin's France has won new respect in Europe

As the interview progresses, it is peppered with phrases like "new style of government" and "being closer to the people". He is clearly determined to avoid the elitist labels attached to his predecessors. Even his huge half-moon shaped desk, the sole innovation in the traditional premier's study, he chose because he can fit all his advisers round it.

His answers are measured with firm control of the discussion. Above all he refuses to discuss the delicate relationship between himself as a Socialist prime minister and the Conservative president Jacques Chirac. He shrugs off their occasional spats, prefernot exist-

Jospin plays down the doubts plain at being excluded." that surrounded his party's attirather to make sure that monetary union works efficiently and democratically."

that every effort be made to include Italy and Spain in the first phase of the single currency. "When you are taking the historic step of integrating Europe, you don't do it with a small group of five or six countries," he argues. Of their current candidatures, he observes: "Spain is almost there and Italy has made a great effort. If they respect the



criteria there is no reason to exclude them."

Another condition for endorsing Emu was avoiding an overwill not happen, but sounds a little less happy about how his EU partners have met a third condition: establishing a growth

The final condition - the establishment of a euro-zone council reason to include in the proposed council countries like the IIK ring to say the press likes to that are not committed to joining imagine rows when they often do Emu at the outset. "The rules lof the council] have yet to be As he prepares for this week's defined. But the UK, which EU summit in Luxembourg, Mr invented clubs, should not com-

On the relationship between tude towards Emu. "The four the council and the new Euroconditions we laid down were pean Central Bank (ECB), Mr They were never conceived as a limit the independence of the not played the role in Europe it pretext for not joining Emu, but new European Central Bank. But could, given its tradition of diplowe think there is a need to co-ordinate economic policies. Governments need to manage budgetary This is not Europe's fault." One of these conditions was and fiscal policies and invest-

ment in infrastructure." controversial decision to nominate Jean-Claude Trichet, the Bank of France governor, to head the ECB. "The nomination of the president of the ECB is by the heads of state and government: this detail seems to have been role." forgotten by some. President [Chirac] wanted to draw atten-relationship with Mr Blair that insists that government has a

treaty. I do not know who will be chosen but I do know how he or she will be elected."

Foreign policy is conducted in consultation with Mr Chirac whose formal responsibility this remains. But Mr. Jospin has firm views on the broader European picture and dislikes the idea of a formal Franco-German axis. "It is not useful to talk about a Franco-German axis given the existence of other states, including small ones, with strong identities. However, the alliance exists and reflects the post-war reconstruction of Europe. And it has played a role in resolving crises. But this alliance should not be at the expense of other countries like Italy and Spain - nor indeed the

macy, its savoir faire and the way it is present in EU institutions. In spite of these harsh com-

ments, he is more positive about He vigorously defends France's Britain under Tony Blair, the UK prime minister, whom he calls "un newcomer" in Europe. "Things are undoubtedly changing. The government is more clearly want to play a bigger

He has struck a good personal

tion to this aspect which was laid dates to a meeting in Barcelona down in the 1991 [Maastricht] in 1995. "We have things in common: we are both Socialists who won against Conservatives . . . He speaks good French and I can speak English . . . There are differences of age [Mr Jospin is 60; Mr Blair, 44], identity and in the political situations we inherited." Elaborating further: "We are

both attached to the strength of national identities and believe our countries have a role to play in the world."

Blairism imported into France has its limits. "Certainly there are marked differences over the role of the state. But in Europe it is interesting to mix cultures and make compromises. I am not sure it would be a good thing if everyone adopted the same economic approach, especially for subjects that can be treated at the Referring directly to Britain's national level." He adds: "I know conversion to ultra-liberalism [strong commitment to free markets] would just not work in

> Mr Jospin frequently emphasises that he is against a doctrinaire form of socialism. "Today socialism is less doctrine than a movement, more a source of inspiration than a reference. The era of sweeping ideology is behind us. But I hope there are ideas - I am a man of ideas not ideology."

> His socialism rejects protectionism and statism; but he

role in regulating society. "You have to introduce a form of harmony and intervene at times. Look at what the International Monetary Fund is doing in Korea or at Bretton Woods after the War . . . I think the market should

As regards privatisation he says: "I don't want to be an ideologue." But he adds: "I don't see why companies that operate poorly should be kept in the public sector in industries opened to competition, when there is no public service obligations." He has gone ahead with the first tranche of France Telecom. reduced the state presence in the defence electronics group SGS-Thomson, and launched the sell-off of the insurer Gan.

But he clearly does not endorse privatisation for privatisation's sake. On the other hand he leaves plenty of room to retain state control of monopolies. "My approach is simple: when some thing is doing well (in the state sector) there is no need for

Mr Jospin's version of socialism and his commitment to the euro has so far been digested by his Communist partners. "I am reasonably confident the partnership will continue: they no longer have the USSR as a point of reference: To succeed in government with good ministers is an important element in their new iden

He fends off criticism that his tone at times is too schoolmasterly and moralistic. "What some call moralism, I call normal behaviour," he quips. Mr Jospin is a Protestant, but he he denies his upbringing has influenced his views. "France is a lay country and people are not defined by their religion."

Of the domestic issues, he appears to backtrack on the significance of introducing a 35-hour week to help create employment The government is due on Wednesday to unveil outline leg islation for this proposal which has set Mr Jospin on a collision course with the employers. "On its own the 35 hour week is not a magic formula to fight unemploy ment - a concerted European policy, higher growth, developing new technology and tackling youth unemployment are needed as well."

He argues the policy will not raise overheads by anything like what the employers fear: at most it would mean an extra 2.5 per cent per week. But at the same time he says the government will be flexible. "Companies should take advantage of the 35-hours working practices. The measures, I stress, will not be introduced straightaway [2000 at the earliest), and it will be longer for the

Having placed great emphasis on jobs. Mr Jospin nevertheless hopes the government will be judged on a wider range of issues throughout his term, which could

run for five years.
"I don't believe in the idea of the 'first 100 days'. I have not thrown all the wood into the fire at the outset just to watch it burn out. I want something more slow-burning, less flamboyant."

BSERVER

Masterly Marcel

■ It's only nine months since Marcel Ospel wrote to Swiss Bank Corporation staff giving them a day off and a \$250 bonus to celebrate the bank's 125th birthday. The next billet down from one of the youngest chief executives in European banking

is unlikely to go down as well Gloomy UBS staff were quick to employ gallows humour to soften the blow of impending job cuts. Within hours, the bank's initials stood for "U've Been

Things are looking somewhat brighter for the straight-talking, soft spoken Ospel, who yesterday seemed to be hitting it off well with old acquaintance and chairman designate Mothis Cabiallavetta. A mere three weeks ago, the 52-year-old UBS boss declared he'd studied a "whole range of expansion opportunities but rejected them all after careful consideration".

Ospel, 47, does better than most from a deal which appears as dramatic as it is necessary. A calm, analytical figure, he's had a driving role at SBC for some years. He belped turn it into one of the top players in international capital markets. was instrumental in its purchase of blue-chip London brokers S G Warburg, and negotiated the

acquisition of Chicago futures and options operation O'Connor

With exquisite timing, UBS Christmas cards began arriving on chients' desks in London yesterday. Proceeds from the seasonal greeting go in part to a charity for victims of crime: given that many feel that UBS has been mugged, that seems uncannily appropriate.

Swiss roles

■ The bosses of UBS and SBC in the US were at SBC headquarters at 10.30 yesterday morning telling hard-to-impress Wall Street analysis and journalists why their mega-merger made sense. An hour later, they were at the Plaza hotel, being grilled by holocaust survivors and public finance officials about the Nazi gold affair, which hasn't done the Swiss banks' image much good during the past year.

Simon Canning, the Briton who heads SBC Warburg Dillon Read, and Dick Capone, who runs UBS in the Americas, kept their heads down at the merger press conference: Wall Street had to make do with a second-rate video link with London. At the Plaza, they sat side-by-side, determinedly referring to each other as "my future colleague", refusing to be riled by hostile questions, and

wouldn't affect their efforts to settle the affair.

The two sceptical audiences will continue to watch closely.

Shining example

■ The strongly Catholic Philippines takes Christmas very seriously, usually from about October. But the Christmas lights blazing over Manila aren't all stars, saints and Santa Claus. Above the central bank's offices overlooking Manils Bay, huge lighted graphs and charts shine out, showing economic indicators such as international. reserve levels, inflation and interest rates.

Passing motorists can marvel at the bank's success in controlling inflation, building up serves since the peso was floated in July and slowly bringing down interest rates from more than 30 per cent. Inthe spirit of Christmas cheer, there's one indicator missing the exchange rate, which has lost 36 per cent of its value against the dollar recently. Who said the authorities were in denial over the Asian currency CHSIS?

Voted out Paris is in for a bit of electoral

house-clearing. Mayor Jean

Tiberi wants 170,000 of the 1.16m voters in the French capital removed from the lists."

The polling cards of some people still on the list were returned as undelivered as long ago as 1994. Others are still registered in spite of taking the trouble to write and inform the authorities that they had moved out of the capital, while still others are simply dead.

It all seems like a sound policy, but it has taken a while for Tiberi, mayor since 1995, to swing into action. He won re-election to his National Assembly seat for Paris in May, since when his opponents have launched a legal action claiming that his constituency included a ecoerous smattering of

phantom" electors. Giving the matter his unlikely to mollify his rivals.

Global outlook

One might have expected the worthy American periodical Foreign Affairs to be aware of the world beyond the US and Canada, even if its subscriptionform leaves no space for the ... applicant's country. One British would-be reader tried to overcome this difficulty by giving his address as "London, UK". Foreign Affairs promptly despatched a confirmation slipto Ukraine.

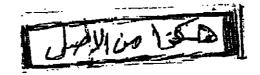
Sinancial Times

100 years ago

The Upper Nile Dispute The St. James's Gazette gives prominence to the statement that it is informed, on unquestionable authority, that the Government does not expect any trouble with France as regards the upper regions of the Nile. The territory in dispute is considered to be in itself worthless; but any Power in ession of it could divert the course of the Nile and render Egypt waste. This France knows, and the Gazette's information is that the Government of the Republic "accepts the situation." Successive British Governments have felt themselves under the necessity of securing the absolute control of the entire course of the river.

50 years ago Egypt's Sterling Balances

The Anglo-Egyptian sterling talks have opened in the rooms of the Royal Society in London. The Egyptian delegation has one additional delegate, Amin Fikri Bey, first Egyptian sub-governor of the National Bank. Before the meeting Dr. Rafai Bey issued a request to the Press to refrain from publishing any





FINANCIAL TIMES

Tuesday December 9 1997



US vice-president breathes life into emissions talks

Gore tells US delegates to ease stance in Kyoto

Al Gore, the US vice-president, yesterday breathed new life into the Kyoto negotiations on climate change by ordering last-minute concessions from the US delegation.

ministers were last night struggling to bridge divisions. as Mr Gore headed back to Washington after 14 hours of consultations in Kyoto. He said he was "cautiously optimistic" that agreement could be reached by the time the talks ended tomorrow. He promised to "work behind the scenes" with President Bill Clinton, "telephoning presi-

After meeting US negotiators and telephoning Mr Clinton, Mr Gore said he had instructed the US delegation to "show increased negotiating flexibility". With less than 48 hours to

go, negotiators at the 160-na- last night they already tion talks must clear two main detected a greater US willing-

France in

Emu plea

Continued from Page 1

countries could be 'ins' despite

the continued reservations of

some European central bank-

ers. "Spain is almost certainly

there and Italy has made a

club, while at the same time

it is unfair to be excluded."

The council would not inter-

fere with the independence of

the European Central Bank.

But Mr Jospin insisted elected

governments must have

responsibility for co-ordinat-

ing economic policies, "Gov-

ernments need to manage bud-

getary and fiscal policies, and

investment in infrastructure."

He made no apologies for

France's decision to nominate

Jean-Claude Trichet, governor

of the Bank of France, as head

of the ECB after European

central banks had agreed on

exclude them," he said.

curhs on greenhouse gas emissions linked with global

warming.
Industrialised countries must first resolve considerable differences about the timetable and contents of an agreement to curb their emissions of greenhouse gases, including carbon dioxide from fossil fuels, by 2010. That was the main aim of the talks last night between the US, Japan

and the European Union. Developed nations must next persuade big developing countries such as China, India and Brazil to agree a form of words promising to discuss curbing their emissions' growth in future. Mr Gore said "meaningful participation" by such countries remained a condition for the US to approve a deal. He declined to spell out the

exact nature of the concessions the US was prepared to

But European officials said

auction high tea meets IT

By Gary Mead in London and Kunal Bose in Calcutta

London's weekly tea auction -

Several factors are behind the auction's demise, includronment; and successful auction centres in tea-producing countries. All have resulted in declining volumes at the Lon-don auction, which handled 22.97m kg of tea in 1996, against 95.16m kg in 1980. The final straw came in April, when the Kenya Tea Development Authority -

which accounts for more than haif Kenya's crop, Africa's biggest - then stopped using the London anction. This followed a drought that reduced Kenya's production by 25 per cent. When Kenya recently made the suspension permanent, the London brokers felt they had to wind down the

auctions. "Twenty years ago, 70,000

Tea from Kenya - the UK's biggest tea importer - will now be sold at Kenya's successful Mombasa auctions. Other auction centres - Calcutta for Indian production. and Colombo for Sri Lankan have challenged London's dominance. Pakistan, which in the next five years hopes to

The London brokers intend to continue selling tea to priknow how it will affect us, but with six months to go we hope

Historic

based tea broker yesterday.

finally closing in June. ing a trend towards bulk delivery; the development of a 24-hour global trading envi-

50-kg chests a week were being auctioned in London. Today, it's down to about 7,000 chests, and half of that's Indian tea, which will run out in January, when the Indian season is over. We'd be hard pushed to sustain an auction on sales of 4.000 chests, and it's no longer viable to have buyers coming to look at a small selection of teas," said

either in Karachi or Lahore. to develop a modus operas

to end as

beld since 1884 - will cease early next year, extinguished by international competition and computer screens. "It's very sad, but it's death by technology," said one London-

The East India Company staged London's first tea auction in March 1679 and it became weekly 163 years ago. Only two brokers are involved in running the auction today - Wilson & Smithett and Thompson Lloyd & Ewart and they have signalled the end to a piece of City history. From February the auction will be fortnightly, before

Wilson & Smithett.

overtake the UK as the biggest importer of tea, plans to develop its own auction,

vate clients. "It's difficult to for the future," said Mr

THE LEX COLUMN JBStaged

Swiss banks merger

Share prices relative to the SMI

muddled middle, lacking size and

coherence. Other members of that

brigade - such as Deutsche Morgan

increasingly tough if market condi-

tions deteriorate.

Grenfell - will find the going

By contrast, prospects are looking

up for the top tier. Not only should

an increasing army of unemployed

investment bankers help keep a lid

on pay but the companies seen as

survivors will be able to get away

with paying less. A shrinking num-

her of competitors should also ease

the emerging downward pressure

on prices. This land of milk and

honey has not yet arrived: indeed, a

desperate last dash by members of

the muddled middle to join the

superleague is possible. But it is no

longer ridiculous to imagine a time

when investment banking earnings

A takeover of Telewest, the UK's

second largest cable company,

would make a lot of sense for Amer-

Like several of its peers, US West

television/telephony and wireless

telecommunications assets around

the world. But in contrast to say.

SBC and Ameritech, it has done

little to knit them together. Now

that these overseas assets are being

spun off from the regulated Baby

"deeper" into the UK market by

ican telephone group US West.

are considered high quality.

US West/Telewest

How are the mighty fallent it is hard to view the merger of Swiss Bank Corporation and Union Bank of Switzerland as anything but a reverse takeover by SBC, the smaller bank. It has provided not only the chief executive but three of the four divisional chiefs. True, UBS's initials will continue to emblazon the bank's logo, and it will provide the chairman and headquarters. But these are more the trappings of power than power

That ITRS has had to swallow its pride is testimony to how badly morale has been bruised by years of trench warfare with Martin Ebner, the maverick investor, and to its ham-fisted response to the Nazi gold saga. Overall, SBC's management has been slicker. But to paint this as merely a public relations coup is to ignore the fact that SBC's shares have substantially outper-

The logic of the deal is most powerful in Swiss domestic banking. The costs saved by stripping out a fifth of the staff and much of the duplicated branch network should

feed through to the bottom line. Elsewhere, the logic is middling. Investment banking will witness even more blood on the floor, with most of UBS's business facing the axe. But much of the associated revenue is likely to vanish too, so the bottom-line impact may not be hugely positive. And while the combined operations, dubbed Warburg Dillon Read, should be a touch stronger in the US, they will still not be top-tier. Reaching that position will not be easy; a big US-based acquisition to fill the gap would probably involve yet more blood-letting in Europe.

Investment banking

Yesterday was bleak for the 6,000 investment bankers set to lose their jobs as a result of the SBC/UBS merger. But for investment bank shareholders, it may be a turning point. The recent scramble to create global investment banks has been a bonanza for employees - with pay bills soaring - but worrying for

But now the industry has entered Bell as part of the new US West consolidation phase. UBS is in Media group, the management effect quitting the business, though needs to evolve a more coherent some of its choicest nuggets will international strategy. Going join Warburg Dillon Read. Add that to recent decisions by Barclays and taking control of Telewest, in which National Westminster to pull in it already owns a 27 per cent stake, their investment banking horns. All would be a good start. And experitechnology, could also help US West Media in the US, where the combination of cable TV and telephony is

slaps up a

still in its infancy.

Telewest would not be cheap. While the rest of the equity would cost less than £600m. the US groun would also have to take on £1.2bn of debt. But it would be well placed to force further consolidation of the UK cable industry. The real prize would be a merger with industry leader Cable & Wireless Communi-cations, yielding significant synergies. Previous discussions have apparently foundered on price. But Telewest and its 50 per cent holding in the One-2-One mobile phone network, it would be in a much better position to extract value.

Daewoo/Ssangyong

With Daewoo buying Ssangyong's motor business, the expected con-solidation of the Korean car market could be under way. Overcapacity and falling profits have been the unsurprising result of five car manufacturers going head-to-head in a country of only 45m people. As depressed export markets take up less of the slack, the move from five players to four should be welcomed. And if Kia - recently bailed out by the state - falls into the hands of Samsung or, less probably, Hyundai, a sustainable competitive structure might not be far away.

That will depend, however, on capacity being removed rather than on a superficial reduction in the number of players. Given that Daewoo sees Ssangyong's range as complementary, not overlapping, this is doubtful. Daewoo is determined to push as many of Ssangyong's jeeps and luxury sedans through its global sales network as it can to catch up with Hyundai.

Also unclear is how the business will be managed, with two colossal has been happily acquiring cable conglomerates each having sizeable interests at stake.

Ssangyong is unlikely to receive much for the 53.5 per cent of the equity it is selling, given that Daewoo is taking on some \$1.6bn of debt. That said, the noose round Ssangyong's neck is loosened. With lower interest costs, the financially weak chaebol can focus on its relatively profitable oil refining and cement businesses. Worries over Daewoo's financial health, however, may continue to grow.

See additional Lex note on UK

Without us, planes couldn't flag their wings

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S Korea admits short-term debt is over \$100bn By John Burton in Secul

great effort. If they respect the criteria there is no reason to South Korea's debt crisis took a sudden turn for the worse yesterday as the finance minis-The French proposal for a council made up of members of economic and monetary try admitted that the country's union is to be discussed at the short-term debt exceeded summit. Mr Jospin showed \$100bn, nearly double the amount it claimed during last little sympathy for countries such as the UK, which is comweek's rescue negotiations plaining that such a council with the International Monewould create an exclusive tary Fund.

The new figure, which includes borrowings by overchoosing to stay outside the single currency: "The rules [of seas subsidiaries of Korean the club] have yet to be companies and banks, came as local media reported that fordefined. But the UK, which invented clubs, should not say eign-currency reserves were almost exhausted.

negotiating its \$57bn rescue. During negotiations, it claimed that short-term debt obligations amounted to \$65.6bn, which excluded \$51.2bn in "non-resident borrowing" by Korean entities.

But the new estimate for Korea's short-term debt has added to doubts in financial markets about whether the funds provided in the IMF's record bail-out will be enough to cover the nation's obligations to foreign lenders.

Wim Duisenberg, the Dutch The Korean currency, the "The nomination of the won, fell to a record low of president of the ECB is by Won1,342.40 to the dollar, heads of state and governwhile fears of a corporate ment: this detail seems to credit crunch led to a 4.8 per have been overlooked by cent drop in the Seoul hourse. The Chosun Ilbo, a leading

leaked IMF report as saying that Korea's foreign-currency reserves had dwindled to only \$5bn last week, from \$30.5bn at

the end of October, as Seoul struggled to meet loan payments by indebted investment banks. In a tacit confirmation of the report, the finance ministry said it would protest to the IMF about the leak, which, it said, damaged Korea's credi-bility and threatened the stability of its financial markets.

proposals for emissions trad-

ing and for so-called joint

implementation. That allows a

country to gain credit against

its domestic targets by helping

other countries cut their emis-

sions. They also hoped, and Mr

Gore did not rule out, that the

US would raise its target for

of US environmentalist groups,

provoked a fierce attack from

some of the Congressmen and most of the US industry lobby-

ists also in Kyoto. "I think this

only means greater trouble for the economy," said William

O'Keefe, chairman of the

Global Climate Coalition, a

group representing much of

reminder that the administra-

tion's difficulties will begin

after a deal is agreed. The US

Senate will veto any treaty

that does not include matching

commitments for developing

The critics also provided a

Mr Gore's hints of compromis

While winning the applause

curbing emissions.

US industry.

Korea has received \$5.6bn in its first tranche from the IMF and expects another \$3.6bn after December 18, when the Seoul denied allegations that IMF will complete its first it had deceived the IMF in review of Seoul's progress in implementing loan terms. It is estimated that Korea must pay \$20bn by the year's end. Stanley Fischer, the IMF

first deputy managing director, said Korea had been only days from "financial catastrophe" when the fund intervened in last month, but analysts warned that the government may be trying to evade the spirit of its IMF programme. Easy financing terms for the

purchase by Daewoo of Ssangyong Motors, announced yesterday, could put further pres sure on Korea's troubled banking system.

Daewoo acquisition, Page 17 Korea car sector on rationalisation road, Page 8

Europe today

Scandinavia and the Baltic states will be windy but will become milder with snow turning to rain in most areas, except for parts of Finland the south of France there will be a band of showers that will move slowly eastwards, but north-west Europe will become wet again later. Early fog patches will clear to leave sunny spells in the south-east and most of Italy and Greece will be fine Turkey and the eastern Mediterranean will have heavy

showers with scattered Peninsula will be mostly fine but rain will move into the north-west.

Five-day forecast

than recently but it will be unsettled. Rain will move across the north-wes into Scandinavia and it will be windy. By the end of the week central Europe and the Meditemanean will have more showers. Towards the weekend the north will turn colder.

TODAY'S TEMPERATURES

Abu Dhebi Accra Algers Amsterdan Athens Atlanta B. Aires B.ham Bangkok Barcelona

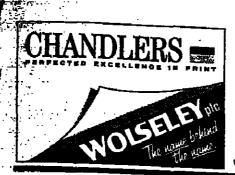
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We wish you a pleasant flight.

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FINANCIAL TIMES

COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1997

Tuesday December 9 1997

YOUNG WORKING TOWN SEEKS LIVELY INTELLIGENT COMPANY.

Fuji snaps up a larger US share

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Almost 30 years after Fuji Photo Film ventured into the US, its market share there has risen to 20 per cent, according to some studies. This push may well be strengthened by a World Trade Organisation ruling last week, which cleared Fuji of charges that it had obstructed foreign access to the Japanese market. Page 21

Daily share volume data published The Financial Times today begins publishing figures for the daily trading volumes of individual UK stocks. To make room for this feature, which will appear from Tuesday to Saturday, we will publish market capitalisation data in Monday's paper only, though they will still appear daily on the FT's web site, http://www.ft.com. Dividend pay dates will no longer appear on a Monday. London Share Service, Pages 32,33

Takeover talk brews over San Miguel Rumours of an imminent hostile takeover of San Miguel, the Philippine food and beverage group, by First Pacific, the Hong Kong-based conglomerate, are causing a stir in an otherwise listless Manila stock market, Page 20

Ukraine set to privatise grain sector Ukraine is on track to privatise grain storage and distribution by the end of the year, according to the chairman of the conglomerate that controls the system. Page 28

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Benk of East Asia	26	Khiib Ukrajyny	2
Berclays	18	Kla	8, 1
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Chief price changes yesterday

17 Yule Catto

Hughes Electronics

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Market Statistic	CS .	http://www.FT.c				
#Annual reports service Benchmark Govt bonds		FTSE Actuaries share ind Foreign exchange	Rces 3			
Bond futures and options	25	Glits prices	2			
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Dividends announced, LK EMS currency rates Eurobond prices Fixed Interest indices 34 US interest rates 26. World stock markets

25 New Intl bond Issues 26 Bourses 26 Recent issues, LK 35 Short-term int rates

Stake gives Yukos control of Eastern assets." The Russian government has put several big oil

Yukos, one of Russia's biggest oil companies, has strengthtry's increasingly competitive industry by winning control of Eastern Oil.

The giant Russian oil company spent \$800m in a privatisation auction to acquire a 45 per cent stake in Eastern Oil and has also bought shares in the market to take its total shareholding to more than 50

On a consolidated basis, Yukos will vie with Lukoil for the title of Russia's biggest oil company in terms of output, cent of the country's total pro-duction. Analysts said Yukos Eastern's subsidiaries it looks like a full price."

had paid a fair price for Eastern Oil, in contrast with many previous privatisation sales, "sweetheart deals" between the government and favoured banks. "Eastern's market value is

livan, equity analyst at MC Securities, an eastern European investment bank. "But Eastern is a holding company

Rosprom financial-industrial group built around Menatep bank, is already one Russia's largest oil producers. The company forecast yesterday it would produce 35.6m tonnes of oil in 1997 compared with 35.3m the previous year.

Some analysts criticised the

games," said Julia Dawson, Russian equity analyst at ING Barings, the international securities house. "They have

companies on the auction block as it desperately seeks additional revenue to plug its budget deficit. Over the next few weeks, it also plans to sell a 0.96 per cent stake in Lukoil in a straight cash auction and a further 15 per cent as part of an investment tender.

The competitive pressures in the Russian oil industry are increasing as foreign multinationals move into the local market Last month Royal Dutch/Shell formed a strategic alliance with Gazprom, the giant gas monopoly, while BP linked up with Sidanco, a

to acquire 53.5% of **Ssangyong** Motors

By John Burton in Secui

Daewoo. South Korea's fourth day agreed to purchase the heavily-indebted car division of Ssangyong, in an important step toward the consolidation of the nation's crowded automotive sector.

Daewoo said it would acquire 53.5 per cent of Ssangyong Motors for an amount still to be negotiated, while it would assume Won2,000bn (\$1.6bn) of the troubled car maker's total debts of Won3,400bn.

Losses and heavy debt payments at Ssangyong Motors threatened the financial stability of its parent group, Korea's sixth-largest conglor

Austerity measures to be imposed by the International Monetary Fund as part of its \$57bn rescue package for Korea convinced Ssangyong to sell the car

The takeover of Korea's lourth-largest carmaker by second-ranked Daewoo could pose a strong challenge to Hyundai, the nation's leading car producer, and overshadou competition from Kia and Samsung, the country's other carmakers.

Ssangyong's main products are four-wheel-drive and commercial vehicles which would complement Daewoo's strengths in passenger cars. Daewoo would have a combined production capacity of 1.2m vehicles as a result of the takeover, compared with 1.8m for Hyundai.

Daewoo was given easy fluancing terms by Ssangyong's creditor banks led by Cho Hung Bank.

It will pay the principle on the carmaker's debt after 10 years, while interest payments in the meantime will be made at one percentage point above Cho Hung's prime lending rate than current corporate lending rates in Korea.

Ssangyong will pay the principle on its remaining debt after five years, while it will be charged 2 percentage points above Cho Hung's prime lending rate for interest

payments. Daewoo said it planned to manage Ssangyong as a separate company. The deal would give Daewoo access to technology from Mercedes-Benz, which has a 2.6 per cent stake in Ssangyong.

Russian group in \$800m oil deal Daewoo

ened its position in the coun-

accounting for about 15 per

Yukos, which is part of the

about \$3bn so to buy 45 per cent for \$800m looks like a bargain," said Mr Stephen O'Sul-

Eastern Oil, which includes the Tomskneft production company and the Achinsk refinery, produced 11.3m tonnes of

industrial logic of the deal. arguing Yukos would have been better advised to spend \$800m upgrading its existing production units. "They are playing power

still got considerable problems with Yukos and taking on another company does not make sense in the short term. But on longer term view they

have just bought cheap Siberian oil producer. Market upheavals underlie global switch to domestic equities



year, investors have been reducing their exposure to international equities on a scale not seen since the Mexican peso crisis in early 1995. In particular, European and US investors seem to have lost their appetite for risk after the turmoil in global markets.

A "safety first" mentality has also boosted sales of domestic equities, with evidence of extensive switching out of cyclical stocks and into defensive sectors such as tobacco, utilities and food. Although both trends were

in evidence before October's believe they have been accentuated by recent volatility. What we seem to be seeing is a re-run of what happened after Mexico in 1995," says Joe Rooney, global strategist at Lehman Brothers

have been watching mutual mutual funds are only part of picture, they report more fre- ber's upheavals. quently than institutional changes in investment.

a beavy reduction in international exposures. Figures from the Association of Unit Trusts and Investment Funds (Autif) in the UK showed a £319m (\$532.73m) net redemption of overseas funds in October.

US mutual funds have shown similar trends, accordtional funds have continued to show inflows, similar funds in the US turned negative at the start of November.

European information remains patchy. In France, international flows fell from a positive FFr3.4bn (\$570m) in July to just FFr8.9m in October, Italian mutual funds showed interest in international stocks up to September.

"It is fairly typical for investors to retreat to domestic markets when their appetite for risk is diminishing," says Mark Howdle, European strategist at UBS. "This is what global shake-up, analysts happened in 1987, 1990 and

racking institutional behavlour is more difficult because most funds report on a quarterly basis. Merrill Lynch, which conducts Since late October, analysts a monthly survey of fund managers' intentions, noted that as prices rose to dizzy heights. how retail investors reacted to started to run down large cash falls of late October and last the volatility. Although holdings to buy US equities mouth as a chance to get back and bonds in response to Octo-

"The initial reaction was to funds, providing a snapshot of start buying on the dip, accom-Recent statistics have shown jerk move into US shares on investors have been switching beavy reduction in internative with the US was a out of equities into bonds. safe haven," says Trevor Greetham at Merrill Lynch. However, in November,

European institutions slowed their purchases of US securities and concentrated on buying domestic shares.

the dip, but the place they are buying is at home." The shift back towards

domestic equities has prompted sharp divergences in sectoral performance across European and US markets. "In Europe, there has basi-

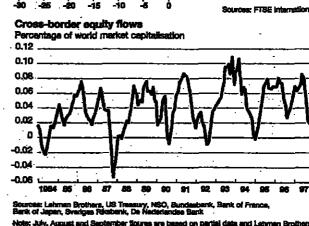
cally been a polarisation, with investors putting money into classic defensive sectors, such as utilities, tobacco and food," savs Mr Howdle. The same trends are evident

in the US. with domestic consumer stocks such as utilities and food the top performers in the Standard & Poor's. However, there are signs that bargain-hunting investors

are beginning to buy back into cyclicals that have suffered most in the recent shakeout. Here, it seems that institutional investors are more optimistic. Having run down their equity positions in the summer

into the market. Retail investors, on the other hand, have been more cautious. Capital flows into US panied by a surprising knee- mutual funds have slowed and

However, history suggests that investors do not stay on the defensive tack for long. Following the Gulf crisis in 1990 and the Tequila shock in 1995, international investment dried up, but only for short *Cross-border flows seem to periods. In both cases, the fund flows suggesting we may ing to figures from AMG Data have dried up," says Mr Gree period when investors actively be close to net repatriations Services. But, whereas UK tham. "Institutions still seem repatriated funds represented now, the bargain hunters



Note: July, August and September Egures are based on partial data and Lahmen Brothen selfunites. Aggregate of net purchases of non-domestic equities by US, UK, German, Franch, Japaneses, Sevedish and Dutch Investors. the bottom of the market. could yet be proved right. tional flows went heavily into as a contrarian indicator."

Even in 1987, when internareverse. European equity markets railied by 14 per cent in the 12 months after December, the peak period of repatria-

On that basis, with mutual

"Capital flows can be useful says Mr Rooney. "When everyone and their dog is enthusiastic about equities, it is probably time to get out. The same is true in reverse."

Asia/Pacific liquidity, Page 21 Jonathan Ford

Korean cars, Page 8 Lex, Page 16

Volvo plans growth drive AT&T cuts DirecTV link

By Greg McIvor in Stockholm

Swedish the automotive group, yesterday unveiled a three-year strategic slim management and lift productivity by 5 per cent a year. Leif Johansson, chief execu-

tive, said the company, facing stiffening international competition and the globalisation of markets, needed to work harder to achieve its main European competitors long-term target of an operating margin of 5-7 per cent. In his most significant strat-

egy statement since joining next year when Volvo Volvo from Electrolux in launches a new upmarket Volvo from Electrolux in April, Mr Johansson said Volvo would accelerate its rate of product launches. The aim would be to introduce one new product range in

would be developed per chas- yield group sales of about in New York sis in order to maximise revenues and restrain costs.

decision-making structure.

Cutting costs and rolling out new models more quickly than before will be central to Volyo's bid to remain a strong independent rival to its three, organic. No acquisitions were Daimler-Benz, Audi and BMW, all of Germany. The first big test will come

saloon. The car, reputed to have cost SKr30bn (\$3.8bn) to develop, will eventually replace Volvo's \$90/V90 range. Mr Johansson said he aimed each of its six divisions every to increase annual revenues

year. More vehicle models by 10 per cent, which would SKr250bn in 2000.

"Volve is pursuing a growth Volvo said it envisaged a strategy. We cannot downsize one-third reduction in its man- to reach sustainable favouraagement as it sought a leaner ble profitability...[our strategyl involves both expansion and tightening," he said. A series of bolt-on acquisi-

tions was likely, although most of the growth would be envisaged in the cars unit. Eastern Europe and Asia would form the cornerstone for Volvo's expansion, with sales in Asia advancing from SKr16bn last year to a predicted SKr30bn in 2000. Sales in eastern Europe were expec-

ted to quadruple to almost

By Richard Waters

Michael Armstrong, the new chairman of AT&T, yesterday cut his company's ties with DirecTV, the satellite television business he once headed. This ended a relationship intended to spearhead the US telecommunications company's push into the television

The move, which includes the sale of AT&T's small stake in DirecTV, represents the first concrete sign of Mr Armstrong's attempts to pare the company's operations since be arrived at AT&T two months

Mr Armstrong, a former head of Hughes Electronics, the General Motors subsidiary Volvo's lights, Page 19 which owned DirecTV, has put broadcast satellite business packages to its customers.

bring the floundering company's focus back to its core telecoms activities.

The sale also amounts to another in the string of failures by US telephone companies to break into the broadcast and cable television

Some of the country's local telephone companies have pulled back from a series of cable and microwave television plans in recent months, capped by US West's recent announcement that it would shed its US West Media cable television

AT&T paid \$137.5m for a 2.5 per cent stake in DirecTV in

several peripheral businesses had 1.25m subscribers. Yester-up for sale in his effort to day, it agreed to sell the stake back to DirecTV for \$161.8m, a return on its investment of only about 10 per cent a year. despite the fact that the service has 3m subscribers.

The telecoms group sought to paint the investment as successful, particularly in the light of the big investments other telephone companies had made to break into television. Although successful, DirecTV had not added as many subscribers as expected, and had proved a difficult service to sell to customers over the tele phone, AT&T said.

AT&T, in common with other telephone companies. had hoped to turn television March, 1996, at a time when into one of a broad array of the leader in the US direct services that it could sell in



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COMPANIES AND FINANCE: SWISS BANK MERGER

FT writers examine the repercussions of the \$59bn tie-up between SBC and UBS, announced yesterday

■ THE DEAL - By George Graham and William Hall

SBC grabs the top jobs in new set-up

shareholders will take 60 per cent of the equity in the new with Swiss Bank Corpora-

that SBC was in the driving seat, laying claim to the whether to continue to lion's share of the top jobs in the combined bank and tak- an expensive global network. ing absolute control of its investment banking and fund management divisions. gave up their global ambi-The merger resembles the combination in the US of Chase Manhattan and Chemical Bank, in which the Chase name survived under predominantly Chemical

They got the name, we got the keys," quipped one SBC executive, alluding to the inclusion of SBC's three crossed keys in the new bank's logo.

UBS remained the largest and most heavily capitalised Swiss bank, but its capitulation in yesterday's merger SBC's dynamic head. showed the pressure it has been under both in its divisions, three are headed

Union Bank of Switzerland domestic business - where by SBC people: Rudi Bogni, its performance has come in for criticism from Martin United Bank of Switzerland Ebner, the Swiss fund manformed by UBS's merger ager - and in investment

Dut it was clear yesterday investment banks, UBS has management group. faced a difficult choice about invest in the construction of Barclays and National Westminster Bank in the UK tions and sold their equity businesses. UBS has now gone even further by merging outright with its domes-

> Talks began over the summer, but ground to a halt. UBS was not willing to swal-

that SBC would emerge so clearly on top. Mathis Cabiallavetta, UBS's 52-yearold chief executive, takes over as chairman of the group, but the chief executive will be Marcel Ospel, 47,

with SBC resumed. At the same time, UBS has been badly tarnished by its insensitive handling of the likewise. Of the four main operating Nazi gold issue and has seen Mr Ebner ratchet up his cial officer will go to Peter new private equity division durer will move from UBS,

Hans de Gier, at the new

Warburg Dillon Read invest-

ment bank; and Gary Brin-

son, at the new Brinson

The only exception is Ste-

phan Haeringer, 50, UBS

takes the same post under

Marcel Ospel and will also

head the consumer and cor-

porate banking business -

the least glamorous of the

the investment banking mar-

UBS's dilemma in that busi-

ness more pointed. It had

planned a radical restructur-

ing of its investment bank-

Merged bank profit targets,

Primate bending

Private equity

street bening

dropped it when discussions

four core businesses.

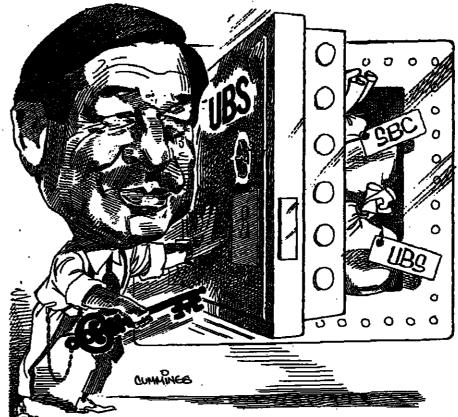
in charge of private banking,

other option might have been to merge with Deutsche Bank. Its Swiss neighbour proved more palatable, even at the price of losing out in the main jobs.

SBC faced the same questions - its purchase of Dillon Read is not generally reckoned to have been enough to allow it to break through in the critical US market, and it, too, has been slow to deal with its Holocaust problems but had a much stronger Since the first round of business than UBS. talks, the pressures have

Both chairmen will step mounted. Consolidation in down, and Swiss bankers said this might have been a ket has quickened and made key to the resumption of talks. SBC's Georges Blum is widely respected, while Robert Studer at UBS is distinctly controversial, espeing organisation, but cially for his blundering SBC. Felix Fischer, 48, UBS's the SBC imprint is especially comments on Nazi gold. But well-regarded CFO, will be marked. Andrew Siciliano Mr Studer is understood to have been unwilling to step down unless Mr Blum did

The key job of chief finan-



Holding the key: SBC's Marcel Ospel will be chief executive

Wuffli, 40, the former which will take stakes in as co-chief operating officer de Weck, aged 46 and the son and interest rate operations; of a former chairman of Markus Granziol, equities; UBS, will become chief and Fritz Hobbs, corporate credit officer and head of a finance. Only Werner Bona-

McKinsey management con-sultant who holds the post at At Warburg Dillon Read. chief risk officer while Pierre will run foreign exchange

alongside David Solo, the 32-

Although the deal was negotiated by the two banks' top executives, Morgan Stanley Dean Witter acted for

SWITZERLAND.

Reduced career prospects hit home

It used to be the case that a career in a Swiss bank was a job for life, but that is no longer the case.

Although the number of bank branches has been falling since 1990, the numbers employed have remained stubbornly high. Last year, numbers employed by Swiss banks fell by a mere 209 to 119.771.

The round of restructurings at the big three Swiss signalled that the era when a Swiss banker could count on reaching retirement age were over. However, yesterday's announcement that up to 13,000 jobs, of a workforce of 56,000, were to dis-

appear came as a shock.

The fact that 6,000, or nearly half the total job cuts, would take place outside Switzerland did little to

ease the pain. The biggest cut, both in numbers employed and in percentage terms, will come in investment banking, where 6,000 jobs are to go. The consumer and corporate banking side, which employs 45 per cent of the cent of its workforce. About 1,200 jobs will go in private banking, and while the 600 reduction in staff employed at the corporate headquarters does not sound much, it is nearly one-third of the

Jim Hyde, Merrill Lynch's London-based bank analyst, job cuts will fall on UBS staff. He estimates that SRC simplistic. "You can't just add the has already shed 4,500 jobs

Marcel Ospel, who is to be

The two banks estimate through natural attrition. Another 700 staff will reach normal retirement age during the period and another 2,000 will be eligible for early retirement. This leaves 1.800 jobs to disappear

through redundancies. The other potential domestic obstacle for the merger is that the new group will have a market share of between 25 per cent and 35 per cent of the Swiss market. Both hanks have been struggling for years to make a profit in this area, and the potential for costcutting is a key element in the group's plan to be earn-ing net profits after tax of SFr1.8bn (\$1.25bn) by the year 2002. This would be equal to a return of 18 per cent on equity - a return not achieved in domestic banking for well over a decade, if ever.

The combined group will have 550 branches, or roughly twice as many as Credit Suisse, its closest competitor, and nearly 5m customers.

Most analysts do not believe that the competition authorities in Switzerland will be able to block the merger on market share grounds. However, a concerted campaign by disillusioned small business customers could sway official Swiss thinking on this score. In an attempt to head off the turmoil on this front, UBS has promised SFr150m ing, appeared to leave Mr to invest in up-and-coming Swiss companies with prom-

William Hall

INVESTMENT BANKING - By George Graham, Banking Editor

Taking a painful road to European dominance

banking businesses of Swiss Bank has strengths in US equity Corporation and Union Bank of research and corporate finance in Switzerland will create the largest European investment bank and one of the top three in in Asia. But rivals and analysts questioned whether the new business would vault into the "bulge

bracket" of dominant global investment banks. Hans de Gier, head of SBC Warburg Dillon Read and new chief executive of the combined investment bank, acknowledged yesterday that his business still had

ment banking market. we pull it off, but is it the major cially striking in the low-margin move? Is it 'Warburg takes over areas of the business such as Goldman Sachs? The answer is foreign exchange, routine interest

some way to go, particularly in the US, the world's biggest invest-

There are several areas where the two investment banks can

Pushing together the investment claim to be complementary. UBS financial institutions and technology. It has a strong equity derivatives sales team in London and is well ahead of SBC in structured finance and securitisation.

However, in many businesses the two compete head-on, and the merger process will be gruelling. "In the long run, it is very inspir ing to be the dominant European player, but the road is a very pain-

About 6,000 jobs are expected to be cut from a combined investment banking workforce of 20,000 with 3,000-4,000 of the cuts falling "It gives us a leg up in the US if in London. The overlaps are esperate

TOTAL brunt of the cuts. It is not just the relative quality of the two businesses which has come into play - though SBC has clearly forged

The real difference has been in

the structures of the two investment banks. SBC Warburg moved which product lines were managed on a global basis - now generally accepted as the model for an investment bank with global ambitions. IJBS on the other hand, remained organised along regional lines, with pockets of excellence where top managers were allowed their heads. Only recently did it move to a "matrix

management" structure. Given a choice between the two winner, leaving UBS units to be slotted into the SBC Warburg framework. Rather than trying to combine two infrastructures into ahead of its Swiss rival since the one, the new investment bank will It is UBS which will bear the UK merchant bank, in 1995, and Warburg's infrastructure.

sell off some units which prove surplus to requirements, the efforts of Barclays and National Westminster Bank to sell their quickly to an organisation in equities businesses have not left Mr de Gier optimistic. He is unwilling to waste time on sales

> occupied with integration. "If it is packageable and we can sell areas of complete overlap, obviously we will do so, but we have seen what a tortuous busi-

ness it is." So far this year, the combined

the purchase of Dillon Read in the Although it might be possible to bond market in the first 11 months of 1997. This would put total. Warburg DR ahead of Merrill Lynch - with 7.59 per cent - as the largest bond underwriting believes that the bulk of the bank in the world. However, bankers say this is

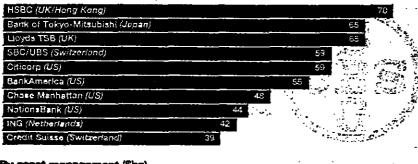
> when senior managers will be prebusiness of the two together and since 1993 against a 2,700 expect that to be its market reduction by UBS from its share." said one bond syndicate employment peak. head in London yesterday. "Some of the big borrowers will want to chief executive of the new distribute business among other bank, went to some lengths

Job cuts are expected to total firm would have ranked first over 1,000 in the trading and sales dancies. The two banks among European equity bookrun- side of fixed-income, falling espe- employ 38,000 in Switzerstructures, SBC's was the clear ners, first among global fixed- cially in the retail networks. "If land and the loss of 7,000 income hookrunners, first in the new bank can make the neces. Swiss jobs will be phased in European mergers and acquisi- sary reductions in its cost base it over a period of three or tions and sixth in global M&A. will be the strongest fixed-income four years. According to Capital Data Bond- player in Europe," said a syndiware, the statistics agency, UBS cate head at a US bank in London. conservatively that numbers acquisition of S.G. Warburg, the be built entirely on SBC and SBC Warburg combined cap- "On a global basis it will probably employed over the next four tured 8.29 per cent of the euro- be top three."

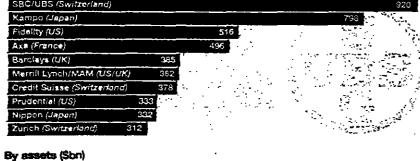
Into the world's financial top 10

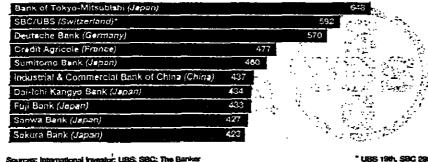
ties.

By market capitalisation (\$bn)



By asset management (\$bn)





FUND MANAGEMENT - By Jane Martinson

happy honeymoon begins

Like any new partner in an arranged marriage. Gary Brinson yesterday acted the ever-attentive beau to his

conquest, PDFM. The new head of United Bank of Switzerland's institutional asset management for one of the UK's largest pension fund managers, and Tony Dye, its bearish chief investment officer. "Tony has my uncondi-

tional support and enthusiasm for the investment direction he is taking," he

Mr Dye, who met his new boss for the first time yester-day, looked pleased by the attention but said it was too early to give precise details about how it would work. "It's very early in the court-Mr Brinson appeared too

smitten to point out that the the relationship which put him in charge of "Brinson". the new asset management division, was already a legally binding one.

merger, Mr Brinson and his taining good relations with Few pension fund consul-Chicago-based colleagues the wealthy relatives. "We tants expressed happiness will run the SFr490bn are going to move quite about the union yesterday to Chicago yesterday morn-(\$340bn) business. PDFM, which manages

than Brinson's \$82bn, will

become part of his empire. the complex process of com-bining the various entities, he replied: "Very carefully." But while his protestations of affection for PDFM's man-

agers appeared heartfelt, Mr managers are fraught with Brinson's real interests were difficulties because of the Following yesterday's obviously focused on main-importance of "culture". slowly and deliberately to Nick Fitzpatrick, senior partassets at £60bn (\$99.4bn) are bappy," he said.



Tony Dye (left) met his new boss Gary Brinson for the first time yesterday morning

PDFM, Mr Brinson emphato the merger. When asked how he planned to manage

are loathe to change manag-During a 45-minute visit to ers, PDFM clients have the London headquarters of acquired a particular reputation for loyalty. The group sised a softly-softly approach has not suffered severe client losses in spite of a performance which has dragged along the bottom of league tables for the past two years following Mr Dye's switch

out of equities into cash. Mergers between asset

While pension fund clients very difficult for clients who tionship," he said.

have stayed by PDFM during this period to remain loyal if the culture is altered."

PDFM, which is likely to keep its name in the UK. was keen to stress that its independence as part of a larger group would continue. Indeed, there was an audible sense of relief among some PDFM managers that they would report to an asset manager rather than a "Swiss bureaucrat". PDFM members appeared

satisfied by the fact that Mr Brinson had become increasingly bearish about the US equity market. Yesterday, he said: "You could describe our investment strategy as cautious and developing into extreme caution." Mr Brinson, the 54-year-old

Seattle-born son of a construction foreman and retail worker, is credited with some of the increasingly professionalism of the industry.

He led a management buyout of the company from First National Bank of Chicago in 1989 for \$102m, and then sold it for \$750m to SBC three years ago.

Mr Brinson, who flew back make sure that the client ner at Bacon & Woodrow. Dye content with the forced more domestic institutional interests of both institutions said: "The big fear is that it pairing. "I hope it's the start will change the culture. It's of a long and fruitful rela-

ising growth opportunities.

E PRIVATE BANKING - By William Hall in Zurich

World's new number one aims for 10% annual growth

puted world leader right from the the world's high net worth indi- banking. SBC earned SFY795m.

The big three Swiss banks are tion of private banking and UBS world," he says. already among the world's top had a relatively low asset thresh-

players in this field. management, the enlarged UBS In the past this has meant that secrecy laws, a strong currency will have more than twice as big the profits of private banking and no foreign exchange restrica business as Credit Suisse and have been mixed with traditional tions - no longer carry the same more than four times as large a retail banking. Marcel Ospel, pro-weight as they did.

group will emerge as an undis- Chase Manhattan and Citicorp. business of servicing the needs of SFr1.1bn (\$764m) from private sonal banking customer.

Each bank has its own defini- premier private bank in the

The one area where the new business as US banks such as spective chief executive of the "Our ambition is to become the

He is conscious that the tradiold of SFr100,000 for would-be cli-tional advantages of a Swiss pri-With \$580bn of assets under ents: SBC has a SFr600.000 floor. vate bank account - tough bank

Preservation of capital is no new group, intends to raise the longer the key to success in priassets of the enlarged group will be an "outstanding investment performance and a client service second to none".

This year, he brought in Rudi Bogni, 50, a former head of SBC in London, to run SBC Private Banking. Mr Bogni's appointment was significant because he is more of a corporate finance man than a private banker.

It will be Mr Bogni's task to turn Mr Ospel's dream into real- banks for personal service rather vate banking, which probably In the first six months of 1997 threshold to a minimum of vate banking and Mr Ospel ity. Private banking will be far than standardised products. So accounts for 75 per cent of total start is in private banking - the UBS earned pre-tax profits of SFrim of client assets per perstart is in private banking - the UBS earned pre-tax profits of SFrim of client assets per perintends to ensure that the main and away the biggest source of Mr Bogni's task may not be as private client assets, is growing profits for the enlarged UBS easy as it sounds.

group and the target is to grow There is bound to be some loss

> By 2002 it should be contributgroup profits. There is scope for consolidation

in private banking but the economies of scale are not as obvious as in retail banking.

Wealthy clients come to private banking centre but onshore pri-

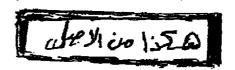
earnings by at least 10 per cent a of revenues by putting the two private banking businesses together and it is far more diffiing SFr4.5bn, or 43 per cent of cult to buy market share in the New York and Tokyo. sector than it is in investment

world's leading offshore private five years.

more rapidly. Hence, Mr Bogni's priority is to

"expand substantially" the enlarged group's onshore business in centres such as London.

His success will determine banking or even corporate bank- whether UBS can achieve its heady target of a 20 per cent Switzerland remains the return on equity within the next



BOAY DECEMBER 9 1995

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COMPANIES AND FINANCE: EUROPE

Volvo's lights burn brighter

Future as an independent car and truck producer no longer seems ludicrous

ell the average Swede series, preceded by an S, V something is wrong with Volvo and the silence that follows can outlast even Ingmar Bergman's pregnant pauses. Yet not so long ago, Sweden's biggest maker of cars and trucks faced the sort of existential dilemmas familiar to the film director's characters.

With marriage to France's Renault in tatters and no new cars in the pipeline, Volvo's future looked bleak, Output was about 350,000 cars a year, when anything less then 1m was considered inadequate for survival. Even the company's brand values of security and reliability were under siege from foreign rivals.

Eight months into the job, Leif Johansson, group chief executive, believes the tide has turned. Operating profits soared 148 per cent to SKr5.8bn (\$740m) in the first nine months of 1997 while net sales climbed 15 per cent to SKr130.9bn, Although the once lucrative beavy trucks business has got bogged down in North America, cars have accelerated sharply. For the first time in years, Volvo's survival as an independent producer does not look hidicrous.

Much of the credit goes to Sören Gyll, the group's former chief executive who sold off businesses from medicines to matches to focus on vehicles, construction equipment and marine engines.

But while Mr Gyll cut and pasted Volvo into a more sensible structure after the Renault fiasco of 1994, Mr Johansson has to implement the changes. The former Electrolux boss, a surprise successor to Mr Gyll, has been busy. Recent months have revealed a frantic product development drive to put cars on a more stable footing and expand trucks globally.

Mr Johansson divides Volvo's post-divorce period into two phases. After the Renault deal collapsed, the company needed some "quick fixes" to refresh its range. Nothing was quicker than to rebadge and, when necessary, facelift existing products. The big 800 and 900 ranges became the 70 and 90 or C to denote saloon, station wagon or coupe/convertible alternatives.

The rechristening coincided with the arrival of new variants targeted at niche customers. Volvo had already introduced high-performance models to shake off its dull but dependable image and counter the encroachment of sportier marques such as Audi and BMW.

Volvo's lacklustre small cars, which never quite carried the kudos of its bigger models, have also been revisited. Under a joint venture with Mitsubishi Motors of Japan, the Netherlands factory where they are built has been re-equipped for the new mid-sized S40 and V40 range alongside Mitsubishi's similar – but not identical – Carisma models. Next year will see the start

of phase two. Volvo will launch the first of two new models which should lift output above 500,000 units a year by early next century from a forecast 411,000 this year - and guarantee its independence. The two cars will share a common platform (basic engineering structure) to save development costs. However, the platform will be flexible enough to accommodate next year's replacement for the ageing 900 (now the S90 and V90) and, later, a smaller successor to the S70 and V70, as well as deriva-

That will reduce Volvo's platforms from three to two, eliminating a costly indulgence for a relatively small manufacturer, and lower the break-even point through economies of scale. The engineering of each range, however, will allow saloon, station wagon and possibly coupé variants, powered by engines from diesels to sporty turbos. "We are defining lifestyle segments and trying to shoot off sharply designed products based on fewer basic platforms," says

Mr Johansson. The cars will also reflect much closer co-operation



Leif Johansson: confident that rising sales of the new VN range will repair matters in the US

ourselves," he adds. But just as cars have been shaping up. Mr Johansson has been confronted with difficulties in trucks.

Profits have been eroded by severe US losses followa bungled product changeover. Earnings in the ultra-competitive European market have also been squeezed, while sales in South America and Asia have been mixed after economic upheavals in both regions.

Mr Johansson is confident that rising sales of the new VN range will repair matters in the US. And analysts see considerable potential in Volvo's growing truck links to Mitsubishi elsewhere in the world.

Although cars and trucks with suppliers. "We've recog- account for 70 per cent of nised we can't do everything sales and about half group

profits, the new boss has not in doubt: the US is a plenty of time for constructrend-setting market no tion equipment and buses. global manufacturer can He believes new infrastrucignore. But even Volvo peak ture projects in eastern market share of about 12 per Europe, an area he knows cent (compared with just 9.4 well from Electrolux, hold per cent now) may not be great potential for construcenough for long-term profits. "Our short-term priority tion equipment sales.

has been to fix things. In the

longer term, we need to ask

about critical mass." he

admits. "Possibly there's a

niche strategy with 10-15 per

viable, we'd have to look at

Many analysts reckon Ren-

ault's US Mack Trucks sub-

sidiary would form an ideal

acquisition. The French

have said the company is not

Mr Johansson to tie the

the alternatives."

And demand for buses should improve as the industry consolidates and interna-

urther ahead, Mr Johansson will have to respond to the relentless consolidation of the North American truck business. While margins on cars and buses are now within sight of his 5-7 per cent target range, trucks for sale. Maybe it will take scored a miserly 2.8 per cent in the first nine months.

Volvo's commitment to the North American market is

Solid debut for print group By Vincent Boland

Shares in Heidelberger Druckmaschinen, the German printing press group, rose more than 4 per cent on their debut on the Frankfurt stock exchange yesterday, helped by unfulfilled demand from its share offering and firm European equity markets.

Trading in the shares opened at DM100, compared with a DM96 offer price, in one of the biggest initial public offerings in Germany this year. The shares closed at DM100.50.

"It got off to a very good start and is trading well in the market," said one banker involved in the IPO. Observers said the offer showed the resilience of the European new issue market, especially for shares in companies in sectors such as printing press-making that are not widely available.

Strong demand led to bids for 74m shares, but only 8.2m were issued. Twothirds of the issue was placed with institutional and retail investors in Germany, including most of Heidelberger's 10,000 domestic employees. The remainder were sold to investors in the US, Europe, and Switzerland. Heidelberger raised nearly DM800m (\$449m) in the issue, which represented about 15 per

cent of its capital. At the offer price, Reidelberger, the world's biggest maker of printing presses, has a market capitalisation of DM5.3bn. It remains 56 per cent-owned by Labmeyer, a subsidiary of RWE. the German utility. cent. If we decide that's not

Commerzbank, the German bank, was global coordinator and book-runner for the IPO. Paribas, Deutsche Morgan Grenfell and Dresdner Kleinwort Benson acted as lead managers.

The offer price was at the high end of the indicative range and put Heidelberger on a price-earnings ratio of about 16 times 1997 earn-Haig Simonian ings, the banker said.

EUROPEAN NEWS DIGEST

Executives quit at Marseillaise

Six top executives of Société Marseillaise de Crédit, the troubled French state-owned bank, have left the institution after the appointment of new management last week. Natexis, the French investment bank which was advising Marseillaise de Crédit on its future privatisation, is also expected to be replaced as a result of the nomination last Wednesday of a new head, Patrick Careil, who is also chairman of the state-owned Banque Hervet.

The changes come after the French government forced the resignation of Pierre Habib-Deloncle, two years after he was named chairman of the bank at the express wish of President Jacques Chirac. Mr Careil warned that Marseillaise de Crédit would be forced to cut its operating costs - inevitably leading to job losses. He said any decision to sell the bank would depend on the French government, but that it would be likely to take the form of a trade sale rather than a public offer. Andrew Jack, Paris

TRUCKS

VW-Scania talks concluded

Scania, the Swedish truckmaker, disclosed vesterday it had held abortive talks with Volkswagen, the German automotive group, over the joint development of a midsized truck. The Swedish group said a preliminary study had been concluded during the autumn and would not be Greg Melvor, Stockholm

■ TELECOMS

Arcor targets Telekom customers

Mannesmann Arcor, of Germany, yesterday unveiled a long-distance service and pricing plan aimed at wooing customers from Deutsche Telekom when the German telecoms market opens up on January 1. Arcor said it would offer private customers and small businesses rebates and rates that undercut Telekom rates by 13-27 per cent on calls requiring an area code.

■ SWEDEN

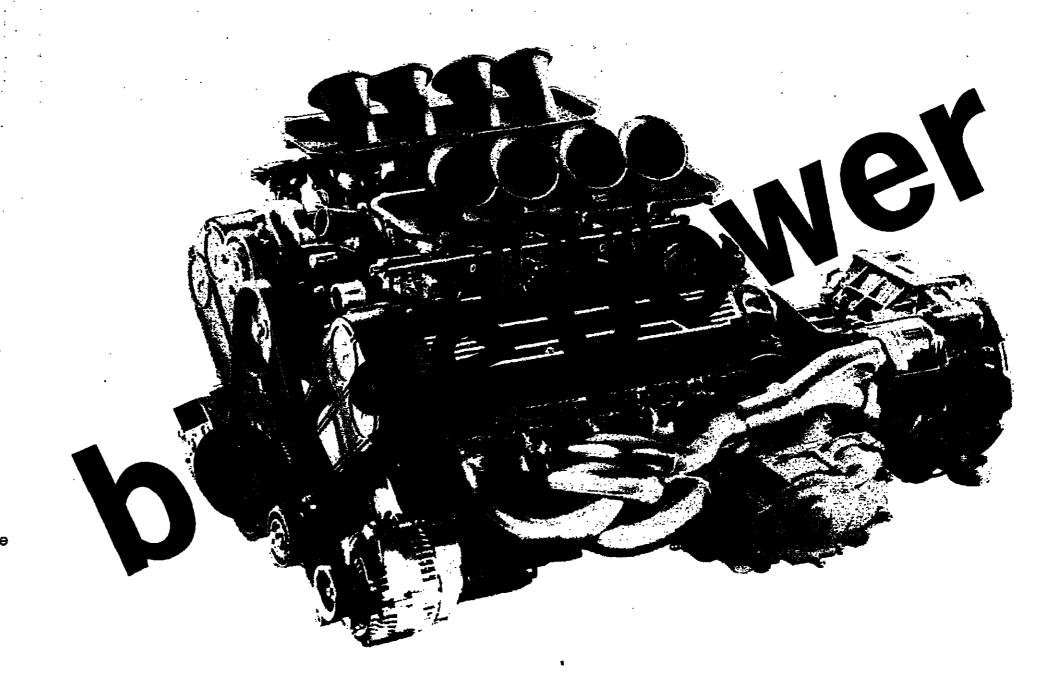
Former Swedbank head suspended

The Stockholm stock exchange yesterday suspended for six months the former head of trading at Swedbank Markets, the broking arm of one of Sweden's largest banks, in connection with share trades which distorted the prices of some of the country's most-traded stocks. Four brokers were also suspended for one month for the transactions, which occurred during a last-minute buying spree on November 13. The trades had the effect of reducing Swedbank's risk on a new index-linked bond by inflating the prices of several stocks. Greg McIvor

■ ACCOUNTANCY MERGER

Brussels to reconsider plan

Competition authorities in Brussels have asked Price Waterhouse and Coopers & Lybrand to resubmit plans for global merger. The firms said the first submission, made on December, 1 had been rejected because of a "technical hitch". The two firms in Sweden, while backing the merger, would need extra time to overcome local regulatory problems. Jim Kelly, Accountancy Correspondent



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Neuer Markt, the new trading segment for growth r Marki^e companies at Deutsche Börse, is humming along in high gear. In only eight months of trading, it has opened up vast new opportunities for smart, innovative

companies looking to raise capital.

Already, 16 listed companies are on board. They have raised over \$470 million in equity capital. So they are putting their new capital to work, developing new products, creating new jobs. Pursuing their visions with vigour and motivation.

Investors have taken notice. On average share prices have more than

doubled since trading began, and daily trading volume exceeds 1,2 million shares. It's easy to understand why. Investors like Neuer Markt's transparent trading system that provides liquidity on-demand. They also like the detailed disclosure policies for listed companies, the strictest in all of Europe. This means

quarterly financial statements. Regular audits and accounting according to IAS or U.S. GAAP. A promising basis for long-term investment. Neuer Markt, Europe's new engine of growth. For more information phone +49-69-2101-3470.

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ASIA-PACIFIC NEWS DIGEST

Toyota, the Japanese carmaker, will resume production in Thailand in January after suspending operations for nearly two months because of the sharp fall in demand

following the Thai currency crisis. The company said it would restart operations at its two Thai facilities and divert a larger volume of products to export markets. Exports of the Hilux pick-up truck manufactured at the Samrong 26 per cent to 98,000 units between That baht increases the cost complant will be expanded from 600 to January and October. Honda's Thai petitiveness of exports.

20,000 units and increased exports sales in October plunged to 1,260 of the Soluna, Toyota's Asian car, units, or about one-third of last

are also being considered. face in obtaining financing for in demand. large purchases has led to an increase in vehicle inventories and has forced production cuts at most tion of its operations. The company Japanese factories since the sum-indicated that Thailand was being mer. Japanese vehicle manufactur- positioned as an important producers, which have high shares of the tion and export base for the Hilux engines from Thailand to Japan for south-east Asian markets, have pick-up truck in Asia. Although been keen investors in Thailand.

year's level, and other carmakers The difficulty Thai consumers have also suffered from a sharp fall

The latest move by Toyota underlines the increasing globalisathe currency crisis has hit local Toyota said sales in Thailand fell demand, the lower value of the

Thailand will be taking over the past financial year. some of the current output from Japan. Hino, a Toyota affiliate, will reduce output of the pick-ups by a level comparable to the increase in Thai exports. Markets in the Oceania region will be supplied less from Japanese production and more from Thailand.

Toyota will also export diesel the first time in annual volumes of 20,000 units. Exports of engine blocks and camshafts to Japan will also be expanded by an additional production, which has fallen by 450,000 units from 917,000 in about half.

Meanwhile, plans to export more Solumas are being considered. The car is exported to Singapore and Brunei but volumes have been small at about 1,000 units a year.

Toyota could export it to larger Asian markets such as Indonesia, Malaysia and the Philippines. Toyota's decision to resume pro-

duction in Thailand follows Honda's move to manufacture the CR-V, a sports utility vehicle, at its That facility in order to support

Pacific Link, First Pacific's

Hong Kong mobile telecoms division, which brought the group about HK\$2.7bn (US\$349m) and took gearing

However, the proceeds

would provide only a small part of the funds required to

buy a stake in San Miguel

and appear to have been ear-

exposure to south-east Asia."

says Mike Warren, Hong

Kong strategist at Goldman

Sachs. "The impression I get

from recent meetings with

the company is that there is

some belt-tightening going

More likely, according to Hong Kong commentators, is that First Pacific could act

as a vehicle for the Salim

group, which already has

substantial interests in food

and beverages, or as a means

of providing a boost for

Metro Pacific, the Philip-

However, in spite of

short-term bullishness

prompted by a potential

takeover, sentiment towards

San Miguel is predominantly

A market share of about 80

per cent in its core domestic

beer business is under pressure from Asia Brewery, the

aggressive local group owned by Lucio Tan, the Chinese-Filipino tycoon.

Meanwhile, analysts voice

increasing concern at the

group's sluggish perfor-

mance under the manage-

ment of Andres Soriano, the

beleaguered chairman and chief executive. San Migue

has also emerged as one of the local companies worst

hit by the Asian currency

The latest talk in Manila is

of Mr Soriano's recruitment

of a "white knight" team of

local business leaders to

"Is that likely, given the economic conditions and Mr

Soriano's poor record?" asks one broker. "I don't think

Justin Marozzi

and John Ridding

fight any hostile bid.

pines arm of First Pacific.

here are also ques-

tions about the logic

of a move by First

marked for debt reduction.

below 50 per cent.

Hopewell holds back payment

Hopewell Holdings, the Hong Kong-listed infrastructure group, is withholding a scheduled annual payment of Bt600m (\$14.4m) to the State Railway of Thailand. The payment is the latest step in the company's questioned participation in the \$3.7bn Bangkok Elevated Road and Train System (Berts).

Thailand has said Hopewell has been removed from the project, but Hopewell says it has received no notification to that effect and is still trying to meet That officials to find out what is happening. In the meantime, work on the project has ceased.

The stalled project is in part a victim of the problems in the Thai economy. In the summer, Hopewell said the de facto devaluation of the baht had pushed costs up and in September the Thai cabinet voted to cancel Hopewell's

Hopewell said yesterday it was entitled to hold back money as the SRT had not handed over land to Hopewell as planned. The annual payments are for Hopewell's concession rights for Berts. Hopewell has made seven previous annual payments on time, totalling \$114m, the com-

Colin Weir, director of Hopewell Thailand, said: "The money we have previously paid to the SRT more than covers the scheduled handover of land to date. The contract allows for deferral of payment when land is not handed over. This is what has happened."

Louise Lucas, Hong Kong

■ INSURANCE

NZ's Tower plans to demutualise

Tower Financial Services, New Zealand's oldest life and general insurance group, yesterday announced it was seeking High Court and member approval to change from a mutual to a public company, and would hope to list on the Australian and New Zealand stock exchanges next

Tower - formerly the Government Life Office - has 400,000 members, or policyholders, in Australasia with assets under management of NZ\$10bn (US\$6bn). Last year its premium income rose 33 per cent to NZ\$1.4bn and its

policyholders' reserves also rose a third to NZ\$300m. Colin Beyer, chairman, said that under the proposal, Tower's policyholders would change their membership or policyholders' rights for shares in the new company. Demutualisation would release significant value within the group and provide access to new capital for further

expansion, he added. James Boonzaier, group managing director, said the proposed demutualisation would be submitted to the High Court for approval and then put to all members within

the next six months. To participate, members need to have held policies up to December 8; new clients after that date will not be eligible for the share allocation.

Guinness Peat, the company controlled by Sir Ron Brierley, founder of Brierley Investments, is waging a campaign to demutualise Tower and merge it with Tyndall, a Guinness Peat subsidiary which operates in Australia and New Zealand. Terry Hall, Wellington

INDUSTRIAL GASES **BOC India hit by competition**

BOC India, which is 54.8 per cent owned by the UK's BOC group, reported a 17.6 per cent fall in pre-tax profits for the year to September 30, reflecting a slowdown in economic activity and growing competition from new entrants, such as Praxair of the US, in the country's

Sales rose 4.2 per cent to Rs2.33bn (\$60m), but pre-tax profits fell to Rs319m, from Rs387m. Net profits plunged to Rs84m, from Rs134m a year earlier. Earnings per share fell from Rs4.91 to Rs1.71. The company is paying a divi-

dend of Rs2 a share, compared with Rs2.5 paid in 1995-96. The results were below expectations and shares in BOC lost Rs3.80 at Rs43. According to analysts, the group will face difficult times in the first half as the steel and fabrication industries, two important consumers of industrial gases, continue to fare badly. The company has almost completed the restructuring of its businesses, including staff cuts. Kunal Bose, Calcutta

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Takeover rumours brewing over San Miguel

Philippine food and beverage group, by First Pacific, the Hong Kong-based conglomerate, are causing a stir in an otherwise listless Manila San Miguel B-shares jumped more than 7 per cent vesterday to 53 pesos, after the sequestered shares. the group's announcement late on Friday that it was

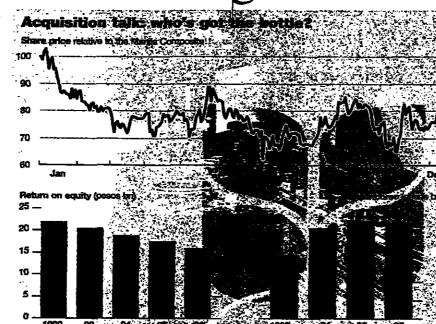
share price has risen 16 per cent. Takeover speculation took off last month after the stake in the group to an undisclosed buyer.

appear an ideal target. First, any acquisition would have to overcome an ongoing share ownership dispute cov-

nent hostile takeover man, arguing they had been fraudulently acquired.

Some analysts believe a between Mr Cojuangco, the government and Indonesia's Salim group, which controls First Pacific. This agreement supposedly allows Mr Cojuangeo to sell one tranche of amounting to about 20 per cent of the group, in return seeking advice on how to for the government taking protect itself from a susthe remaining 28 per cent. pected bid from First Pacific. The problem, as one board In less than a week, the director puts it, is how any deal can be sealed when the flercely independent Supreme Court has yet to \$74m sale of a 2 per cent rule definitively on the

Timing appears to be San Miguel might not another obstacle. Five months before presidential elections, the prospect of transferring ownership of a flagship Philippine company ering about 48 per cent of to an overseas conglomerate the group's equity. This has is intensely political. As one occupied the Supreme Court analyst says: "If a deal has since 1986, when Corazon been struck between Mr government Cojuangco, the government sequestered shares belong- and Salim group, politicians ing to Eduardo Cojuangco, will certainly cry foul. They cards close to its chest. seeking expansion in the



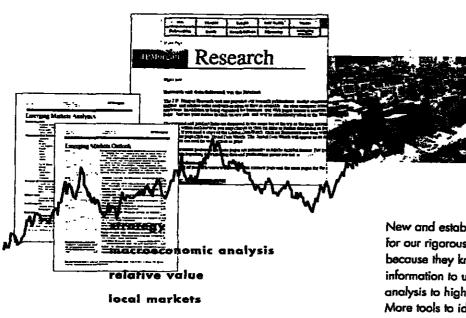
and local businessmen will Although Manuel Pangilask why they were not inan, the conglomerate's

managing director, has First Pacific is keeping its signalled that he might be

of a bid for San Miguel.

region's battered economies investment analysts remain cautious about the prospects Speculation intensified

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sector. Manual Holes

> The move comes after Daiaichi, formerly Japan's fourth-largest broker, collosses. These are losses

> Daiwa denies it holds secret losses. It has recently cancelled some Y120bn worth of tokkin accounts in an effort to boost market confidence. These are accounts through which corporate clients have traditionally invested surplus cash, and have long been rumoured to be a source of

Y25bn share

buy-back

By Gillian Tett in Tokyo

Daiwa Securities, Japan's second-largest broker, yesterday announced the largest share buy-back to date in the country's financial The company said it

planned to spend up to Y25bn (\$192m) purchasing up to Y50m shares - almost 4 per cent of the total between now and next June.

wa's share price plunged in recent weeks because of rumours that the group was holding secret tobashi offbalance sheet losses. The rumours emerged after Yamlapsed last month with some Y260bn worth of tobashi which are concealed by being shuffled between different accounts.

share price yesterday fell Y6 the property market.

Belgium's Interbrew and

Venezuela's Cisneros Group

inaugurated a \$150m brew-

ing plant in Venezuela, the

first in a new joint venture

that hopes to expand aggres-

sively in the Latin American

The plant, which is located

100km south-west of Car-

acas, has the world's largest

bottling line with an initial brewing capacity of 3m hec-

big initiative of the

Interbrew-Cisneros joint venture, announced last

month. Interbrew's operator in the venture is Canada's

Labati Brewing Co, its

subsidiary, which will provide the technical

The luterbrew-Cisneros

alliance hopes to double the

market share of the Regional

hrand in Venezuela from 8

The Venezuelan market is

dominated by Cisneros' rival

Polar group, which has an

estimated 80 per cent to 85

per cent market share.

row to 5m hectolitres.

It marks the first

tolitres per year. This could cas.

By Raymond Colitt

in Caracas

open first plant

to close at Y405 - about half its level at the start of October. Analysts warned that the rumours could erode Daiwa's credibility further unless the group took further steps to boost confidence. Robert Garone, of Dresdner Kleinwort Benson,

said: "The share buy-back is good news, but the overrid- 20 per cent, according to ing doubt remains these market rumours." Daiwa said yesterday it had decided to buy back the shares to prepare for the looming "Big Bang" financial deregulation. "We are

doing this because our share

price has fallen and we want

to return profits to shareholders," it said. The buy-back is the first by any broker in Japan and the largest by any financial company. Until now share buy-backs have been rare, although some groups including Daiwa - have been quietly buying small num-

Daiwa also said it was planning to reorganise its corporate structure. Although plans are still being discussed, the changes are likely to cut the number of divisions from 25 to 10.

bers of shares.

Daiwa further announced that it was making a Y47bn write-off for supporting two However, the broker's troubled affiliates related to

broke a 50-year alliance with

Pensi-Cola in favour of Coca-

The move provoked a

flerce cola war in Venezuela.

one of the few country's

where Pepsi-Cola had out-

Cola last August.

sold Coca-Cola.

COMPANIES AND FINANCE: INTERNATIONAL

Fujit on a roll

Net sales (Yon):

Stanley in Tokyo.

ing ground in Japan, ana-

lysts believe that its share of

slipped from more than 74

Daiwa plans |Fujifilm snaps up market share in US

Spurred by increasing competition at home, the Japanese group is stepping up expansion overseas

Domestic

hen Fuji Photo Film first made its foray into the US. the usual reaction to its Japanese name was: "Fuji who?" People could not pronounce the name, much less spell it, Fujifilm officials remember.

Almost 30 years later, the green packaging of the company's colour photographic film has taken more shelf space from Kodak's yellow packets.

This year, Fuji's market share in the US has risen to some market studies. The company's push into the US is expected to be

strengthened by an interim ruling last Friday by the World Trade Organisation, which absolved Fuji Photo Film of charges that it had obstructed foreign access to the Japanese market. Expansion in the US is a

growing necessity for Fuji. Fierce competition from foreign makers, including Kodak, is threatening its pre-eminence in its home market. Profitability in Japan is

falling because of sharp declines in prices, while the rapid spread of digital imaging poses a further chal-

In the past, Japan's population of enthusiastic photographers, Fuji's strong hold over the distribution system and the difficulty of penetrating overseas markets – dominated by Kodak in the US, and Germany's Agfa in Europe - led the

penetration of foreign domestic market. It derived brands and own-label film 90 per cent of its operating sold cheaply at superprofits from Japan. markets and discount stores. In addition, profit margins

Furthermore, Fuji has for colour film were much lagged behind in digital higher in Japan, at about 12 imaging, where companies per cent against 6 per cent such as Canon and Casio overseas sales, says have been extremely successful. (Japanese companies Masashi Kubota, industry analyst at ING Barings in are enjoying strong domestic demand for digital cameras. Now, however, retail prices of colour film in

in contrast with the heavy es Kodak has suffered in Japan are about 30 to 40 per its digital imaging business). cent below prices in the US. Fuii's weakness in this field could leave it behind in one savs Toshihiko Ginbayashi. industry analyst at Morgan of the fastest-growing While Fuji denies it is los-

gainst these developments at home. Fuii has been aggressive the domestic market has as, particularly in the per cent earlier this decade US. Earlier this year, it to about 67 per cent. The started making photographic main reason given is the paper at a facility in South past year in part on Fuji's cuts go against that policy."

Carolina and it is expanding inroads in the US, has its US production to start suggested that its rival is integrated colour film production.

six photo development centres from Walmart, the US retailer - a deal that lifted Fuji's share of Walmart's shelf space for colour film from 20 per cent to 34 per cent, says Mr Ginbayashi at Morgan Stanley.

According to Nielsen, the market research company, Fuji's share of the US market for colour film - the largest in the world - has increased over the past year to as much as 20 per cent. For the past 15 years, in contrast, its market share had been stagmant at about 10-12

Kodak, which has blamed its poor performance in the everything. Sudden price

that Fuji needs to increase sales in order to justify the extra capacity arising from its US investments. "Because the factory is

However, analysts note

opening, they have to sell," notes John Chanoki, industry analyst at HSBC James Capel in Tokyo.

As Mr Yoneda also admits: "We employ a lot of people in the US, so we cannot fail.

luji's penetration of other overseas markets has also been impressive. In Asia, its market share has risen to 50 per cent from about 48 per cent, notes Mr Ginbayashi.

In China, it is expanding production of cameras four fold by adding production of Advanced Photo System pursuing a low-pricing stratcameras there. That move is egy in order to increase marexpected to strengthen its sition in the APS market The US company has also in Japan, the US and Europe, where the cameras nese government of keeping

accused Fuji and the Japa-

prices in order to gain mar-

ket share," says Atsushi

Yoneda, general manager in

charge of international mar-

keting in the consumer prod-

ucts division. "This is

unthinkable, because we are

committed to consistency in

will be exported. foreign competition out of Meanwhile, in Europe the Japanese market. The where Kodak leads Fuji in World Trade Organisation is terms of market share - proexpected to reach a final duction at the Japanese decision in the next few group's Dutch facility has been increased, and Fuji ear-Fuji strongly denies lier this year raised its stake Kodak's accusation on pricin Its French distributor ing, "We have never reduced from 50 per cent to 100 per

> If Fuji's recent success in the US is any guide, Kodak, in particular, will need to strengthen its global

> > Michiyo Nakamoto

Asia-Pacific **Brewing partners** liquidity at record high The Cisneros' bottler

"We see the opening of this new brewing facility as an important step for our expansion in the Americas," said Hugo Powell, president of Labatt and chief executive of Interbrew in the Ameri-He added that it was the first brewery opening in the Americas for Labatt in 25

Through the partnership. Interbrew and Cisneros plan to conquer between 10 per cent and 15 per cent of the Latin American beer market, which is expected to grow past 15 or 20 years." annually by more than 5 per cent during the next five

He forecast that fund per cent," he said.

ing an "unprecedented" area's stock markets.

of institutions in the region, managing assets of \$404bn was 19 per cent at the begin

nanagers would be forced to buy more equities before the year-end, partly because of individual fund and legislative limits on the amount of cash held. "A lot of managers need to get these percentages down to at least 10

By Jane Martinson, Investment Correspondent Fund managers in the Asia-Pacific region are hold-

amount of cash, prompted by continued fears about the The average cash holding

ning of this month, according to a survey of 30 leading fund managers conducted by Gallup for Merrill Lynch. the US investment bank. This compares with cash holdings of 9 per cent last month and 3 per cent in

Bijal Shah, global strategist at Merrill Lynch, said: "Liquidity is at a historic high. We can't remember such a bear market in the

Sometimes the best solution precedes the problem.

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The ability to anticipate a problem often allows you to create the most valuable solution. UAP, France's largest insurance conglomerate, had inherited a real estate loan portfolio consisting of 400 assets that were negatively affecting their share price. They were faced with the challenge of divesting this large portfolio of assets, so geographically diverse, that they created a set of complex issues involving legal, banking and tax regulations. Our understanding of UAP's business

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An estimated 225m hecto-

litres are sold on the Latin

American beer market annu-

The joint venture partners

said they planned to invest

\$2bn over the next five

November 1997



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the US set for bumper 1997

By Richard Waters in New York

The absence of big disasters Atlantic hurricane season, which officially ended a week ago, has put the finishing touches on what is likely to be the US insurance industry's most profitable year for a decade, according to industry-wide figures released yesterday.

However, the insurers' latest profits have added to the mountain of capital that has already built up in the industry, and growth has remained stagnant.

The capital surplus of US property/casualty insurers exceeded their premium income for the first time in the year to the end of Sep-tember, according to the Insurance Information Institute, the trade association which released the latest

American insurers generated pre-tax income of \$26.5bn during the first nine months of this year, 88 per cent more than a year before, the trade association

That was equivalent to an annualised rate of return of 11.2 per cent, according to Sean Mooney, an economist with the trade association, putting the industry on track for its highest returns in ten years - despite the massive addition to its capi-

The absence of big insurance losses and the surge in US securities markets, which added to the industry's unrealised capital gains, pushed the insurers' capital surplus to \$296bn. which is some 22 per cent higher than its level of a

This ballooning of capital, which is set to leave the industry this year with \$4.5bn of US exports of phararound twice the surplus it had at the time that Hurricane Andrew hit in 1992. has come at a time of little growth: premiums increased only 3.6 per cent in the first | is scheduled to take effect. nine months of this year, to

Insurers in Dow Jones, NBC set for alliance

Richard Waters in New York

Dow Jones and NBC. owned by General Electric, are expected to announce as early as today a global television and internet alliance. A 50-50 joint venture will during the latest North overseas television licence fee for the rights to parallel with its cable televioperations of CNBC, the show its programmes. cable business and entertainment channel, with Dow Jones's Asian and European business news networks. It will be branded as CNBC. and as a service of both NBC

In Europe and Asia, CNBC Jones's European Business their market positions.

In the US. Dow Jones is

The completion of a deal ation between the two sides which has been complicated by the inclusion of both ness information group Tele-Communications Inc. notched up pre-tax losses of ment bank advising Dow grammin which owns part of Dow \$48m from its television Jones, is soliciting bids for January.

and Dow Jones will combine News, and Microsoft, which their existing interests in an with NBC runs M\$NBC, a attempt to cut losses at both cable news service that also companies and strengthen has an internet-based news service.

Talks have been held to set to become an important enable Dow Jones to provide contributor of programming news to MSNBC, which operbring together the existing to CNBC, which will pay a ates an internet service in sion channel.

Dow Jones hopes that the will end a protracted negoti- arrangement will help it stem the losses it has been experiencing. The US busi-

operations last year, compared with \$38m the year Dow Jones has retained the before, in part because of right not to sell the unit, attempts to expand European Business News. Since then, the company has sold its half share in WBIS, a yesterday to say that no combined business and sports channel in New York division had been reached. that accounted for the bulk

of its losses in television. put up for sale Dow Jones Markets, the financial information service which used Goldman Sachs, the invest-

the markets division, but leaving open other possibilities for its future.

The company continued decision over the markets

Financial Times Television, which is owned by Separately, Dow Jones has Pearson, the media group, stands to lose a programme contract with CNBC in Europe as a result of the to be known as Telerate. expected deal. The contract to supply seven hours of programming daily runs out in

AMERICAS NEWS DIGEST

Mutual Life to

Mutual Life, Canada's fifth largest life assurance group, has announced it would seek policyholder approval to

of C\$42bn (U\$\$29.5bn), said that demutualisation would enhance opportunities to thrive in a rapidly consolidating through acquisitions, develop new products and services, attract investors and generate greater value.

Canada's other insurance companies are likely to adopt the same strategy to remain competitive, analysts said.

Working to keep Eli Lilly gilded

Prozac and mad cow bying the European Commis-disease are exercising sion in Brussels to exempt the mind of Sidney Taurel, chief operating officer and head of pharmaceuti-cals at Eli Lilly, the US phar-

maceuticals company. Prozac, the anti-depressant most famous prescription drug, is also Lilly's biggest selling product: its sales in the third quarter alone were worth \$705m, about 30 per cent of the company's total. The trouble is that Pro-

zac's patent expires early next decade and, if the fortunes of drug blockbusters such as Glaxo's Zantac are anything to go by, sales will fall by half within weeks of that day and by 90 per cent within a year.

Bovine spongiform encephalopathy (BSE), the cattle brain disease known as mad cow disease which is believed can spread to humans, presents a more immediate problem - gelapharmaceuticals products.

pean Union ban on gelatine macenticals

to be dealt with first, by January 1 hopes Mr Taurel, because that is when the ban He has been part of a delemedicines from the prohibition on tallow and gelatine.

He believes the argument is being won on the following analysis: more people would suffer without their that is probably the world's medicines than might contract the variant of Creutzfeld-Jakob disease believed to be related to BSE. ("One in 100bn people" is the figure he quotes experts as having evaluated.)

Prozac's problems are of a longer-term nature. Lilly's zac happens also to be the company's attempt to address what Mr Taurel calls "the central issue of the industry today": how to launch enough new drugs to keep up the growth rate of the 1990s as patents expire after 2000.

According to Andersen Consulting, the top 10 companies will each have to launch five important new tine and tallow, both drugs a year, with each extracted from cattle car- reaching annual sales of casses, are used in most \$350m, just to keep pace with the average industry growth The US government has rate of 10 per cent a year. . said that a proposed Euro- But between 1990 and 1994. the industry launched an and tallow could block average of less than one important new drug.

Mr Taurel acknowledges The BSE problem is likely that the leap in research and drugs and genetic causes development productivity (high throughput screening). larger sales forces. The effect demanded will be difficult

The pharmaceuticals is already being felt, says Mr but argues there are several factors that will help. • New tools of drug discov- new products rather than had sales in its first 12 gation from the industry lob- ery are just beginning to be marginal improvements on months of \$550m. Prozac's



Sidney Taurel: puts his money where his analysis is

exploited. They include methods of producing millions of different potential drugs at a time (combinatorial chemistry), a better understanding of the way genes contribute to disease

existing ones. This is partly thanks to the example set by biotechnology companies, which are usually set up to exploit the latest advances in biochemistry and biology. • The sales decline after (genomics), and faster ways patent expiry is being countof matching the potential ered by efforts to launch more quickly and recruit • The pharmaceuticals is already being felt, says Mr industry is more prepared to Taurel. The company's new risk developing radically schizophrenia drug Zyprexa

Mr Taurel is prepared to put his money where this analysis leads it. Lilly has one of the widest networks of biotechnology company alliances in the drugs industry: 25 new deals have been signed in the past year alone taking the total to over 100.

Mr Taurel divides these alliances into three categories. The first is core technologies, such as genomics. which get Lilly involved at the sharp end of scientific research. The second is new drugs being researched by blotech companies in Lilly's medical areas: nervous system, hormonal, infections, heart disease and cancer. The third is drug delivery better ways for patients to take drugs - by inhalation rather than injection.

Most partners are not promising anything until the next decade, exactly when the company needs Prozac replacements. So for Mr Taurel, the solution to the Prozac problem is clear. Eli Lilly, he says, is launching drugs at well above the industry average. "Our fig-ure is a little more than two new launches a year."

That, combined with the alliances strategy means he is confident the long-term sales growth rate will hit 15 per cent a year.

Provided those biotech alliances deliver the goods,

Daniel Green

change status

convert to a publicly traded stock company, becoming the country's first insurance firm to pursue demutualisation. Mutual Life, which has total assets under management

marketplace. The plan would enable the company to grow

Scott Morrison, Toronto

■ PROCTER & GAMBLE

Buyer found for baking mix unit

Procter & Gamble, the US consumer products group that put its Duncan Hines baking mix business up for sale in August, yesterday said it had found a buyer in MBW Investors, owners of Aurora Foods, of Columbus, Ohio. Duncan Hines has annual sales of about \$250m: the sale price was not disclosed.

Aurora Foods was formed last year by Dartford Partnership, a San Francisco investment firm that specialises in the food and drinks businesses; McCown De Leeuw & Co. a private investment firm that specialises in buying and selling middle market companies; and Fenway Partners, a

New York investment firm. Since its inception, Aurora has acquired Mrs Butterworth's syrup and pancake mix from Unilever, the Anglo-Dutch consumer products group, and Log Cabin syrup from Kraft. Following the acquisition of Duncan Hines,

Aurora's annual sales will be about \$450m. Richard Tomkins, New York

■ COLOMBIA

Cementos del Caribe expands

Colombia's Cementos del Caribe acquired the Venezuelan cement producer Cementos Monay for 41.8bn bolivars (\$83.2m) from the state Fondo de Inversiones de Venezuela (FIV), the privatisation agency. The plant has a production capacity of 540,000 tonnes a year as well as a small port on the eastern shore of Lake Maracaibo.

Cementos del Caribe, the second largest cement maker in Colombia's Sindicato Antioqueo conglomerate, which controls more than a 50 per cent share in the Colombian cement market, said it was seeking further opportunities to expand internationally. Raymond Colitt, Caracas

■ FINANCIAL SERVICES

US groups agree \$2.7bn merger

First American, a Nashville-based financial services provider, said it had entered a definitive agreement to acquire DepositGuaranty, a Mississippi bank, for about \$2.7bn. Deposit Guaranty shareholders will receive, in a tax-free exchange, 1.17 shares of First American common stock for each share of Deposit Guaranty common stock. The merger will be accounted for as a pooling-of-interests. and is expected to be neutral to earnings in 1998 and 6 per cent accretive to First American's consensus estimate in 1999. AFX, Jackson, Mississippi

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Deal could lead to widespread restructuring in Lloyd's investment trust sector |Yu|e

By Christopher Adams, Insurance Correspondent Hiscox, the group which owns one of the biggest managing agencies at Lloyd's of London, may acquire Hiscox Select, a so-called "spread" investment trust using funds to support a range of Lloyd's

A deal could set in motion a wave of corporate restructuring in the Lloyd's invest-

British

set to

Midland

top £15m

By Michael Skapinker,

Aerospace Correspondent

British Midland said

yesterday that it expected

pre-tax profits to rise to

more than £15m (\$25m) this

year, from £6.1m in 1996. The

airline said it was suffering

no damage from the growth

British Midland, which is

40 per cent owned by Scandi-

navian Airlines System, said

turnover in the 10 months to

October 31 was up 16 per

cent to £452.2m Passenger

numbers had risen 7.1 per

cent to 5.1m, and aircraft occupancy had increased to

70.1 per cent (67.3 per cent).

Sir Michael Bishop, chair-

man, said £3m of the expec-

ted profits rise would come

from extra business won

because of the strike this

summer by British Airways

cabin crew. He did not

intend to enter the "no

frills" market. He had no

objection to BA's plans to

The group planned to chal-

lenge BA on the Heathrow-

Manchester route, with eight

daily return flights, begin-

ning in March. Sir Michael

Chris Evans, the radio disc jockey and

television presenter, last night struck

an £85m (\$142m) agreement to buy

Virgin Radio and create an enlarged

group owned by himself, Richard

Branson, head of Virgin, and the ven-

ture capital firm Apax Partners. Mr

Yr to Sept 30 490.9

6 mits to Oct 31 119.3

6 mths to Sept 30 2.02

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on ... 6 mths to Sept 27 6 miths to Sept 30 \$\$ 0.088 Yr to Sept 30 \$ 302 Yr to Sept 27 38.6

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(7.56) (3.506) (91.4) 15.8 (0.012) 2.08L (247.8) 7.32 (37.9) 0.8554 (1.48) 0.476

91.7 (74) 4.3 (13.2) 179.3 (55.5) 12.6 (14.3) 13.4 (11.5) 11.3 (7.36)

By John Gapper

to BA.

of cut-price carriers.

Soros, the US-based hedge pressing for action to remedy the laggardly performance of share prices.

Soros and Fidelity are among several institutional investors who have built up significant stakes in Lloyd's funds, but whose investments have provided a poor

Shares in Hiscox Select ment trust sector, where rose 1/4p to 113p yesterday,

By Emiko Terazono

tax profits.

The strong pound, rationalisation and destock-

ing by the tobacco industry

would affect profits for the

current first half, API said

yesterday as it reported a 29

per cent rise in full-year pre-

and coatings group was

managing sterling's strength, while destocking

by clients and £850,000

(\$1.42bn) rationalisation

losses were one-off costs

which would disappear in

the second half. "The cur-

rent year is one of two

The strong pound cut

£2.6m from pre-tax profits of

£14m (£10.8m) for the year to

October 4, but growth from

new products and a full-year 5821/2p.

halves," he said.

Michael Smith, chief exec-

API warns on

Smith said

cent to 9.5 per cent.

current half

shareholders such as George giving it a market capitalise- introduced to Lloyd's three merged with underwriting tion of about 234m (\$56.8m). fund manager, have been Analysts, however, estimate its break-up value at more than £40m.

> group which created the investment trust but does not have an equity link with it, a deal would give access to extra capital and more control over funds supporting one of the syndicates it manages.

For Hiscox, the insurance

Investment trusts were

years ago when the insurance market opened its doors to corporate capital, following a sharp fall in the capital supplied by Names, the individuals whose

backed Lloyd's. But investors and analysts are concerned about the future of those spread funds which have not developed strong underwriting links. Some spread funds have prices of the funds.

wealth has traditionally

agencies, which manage syninsurance companies.

Analysts say the spread funds which remain una ligned could be squeezed out of the market as underwriters try to win control of the capital backing syndicates. Dismal prospects for underwriting profits at Lloyd's over the next two years has further depressed the share



Michael Smith: looking at acquisition opportunities

George Walker bets on Serbia

By Guy Dinmore in Belgrade

enter this sector, and would George Walker, declared not be joining EasyJet in bankrupt with the collapse launching a legal challenge of his Brent Walker empire, yesterday came out for a new round in his comeback. The former hoxer has signed a \$4m deal to open betting shops across the rump Yugoslavia republics of Serbia said London-Manchester was and Montenegro. Europe's largest route

Mr Walker's Cyprus-based

Virgin Radio sold in £85m deal

erick in me" had been attracted to Mr

Evans' bid, and the disc jockey would

Capital Radio declined to comment

thought to be frustrated that the delay

be "a more sympathetic partner".

23.1 (40.4♥) 14 (10.8) 8.06 (7.12) 12. (3♥) 6.57♠ (3.37) 1.74 (2.52) 0.34 (0.212) 0.647 (0.388) (-) 12.7 (4.41) 0.279 (0.052) 0.506 (0.818L) 15.8 (14.7)

venture with the Belgrade Hippodrome that plans to install satellite feeds of British horse and dog racing in 250 outlets across rump Yugoslavia over the next 18

The shares fell 7½p to

Satellite Telesports, Premier's London subsidiary. has the rights to distribute SIS, the broadcasting system used by Britain's bookmakserved by only one airline. Premier Telesport has 51 per ers, in Russia and other for-

on the deal last night, although it is ing Virgin Radio with his own Ginger

months.

cent of Hippo Toto, a joint mer communist bloc coun-

Eight Russians in his Old Street offices in London give in the world that doesn't a simultaneous translation have a market that will bet of racing commentaries and on horse racing. People Mr Walker is now seeking a always like to drink, smoke Serbian team.

Mr Walker is convinced his is a winning formula and predicts revenues will meet his running costs within three months.

- which is still considering it allowed Mr Evans' last-minute move.

The deal gives Mr Evans, a controversial broadcaster, a 55 per cent

interest in a media company combin-

Total for

22

Total last

6.1# 11 10.75

4.3 2.2 2.09

n∯ 8.03

plight after years of interna tional isolation does not deter him. "There's nowhere and gamble. They're all vices. We like them and want them."

Business associates said breaking into Yugoslavia took six months of tough negotiations with officials.

Hiscox may acquire 'spread' trust | agrees to take Holliday

By Roger Taylor

Yule Catto, the speciality chemicals group, has agreed a £240m (\$400m) bid for rival Holliday Chemical Holdings.

Ynle shares fell 320 or

some 10 per cent to 274%p yesterday in response to the news, knocking £15m off the offer value. Holliday's shares dipped 8p at 2251/p. It is paying £111m in cash and the remainder in shares, in a deal which will leave the combined group with debts of about £169m and

interest cover of between 5

Analysts were worried by the lack of industrial logic behind the deal. Yule acknowledged that there was no overlap between the two company's products or customers and little or no scope for cost savings or synergies between the two

Alexander Walker, Ynle's chief executive, said he believed his management team could drive higher earnings growth from Holliday's range of businesses.

His company has achieved a 42 per cent increase in arnings per share over the past five years in contrast to Holliday, where earnings last year were below their level of five years ago.

The main attraction of Holliday is its pharmaceutical intermediate business which has been growing rapidly.

It manufactures the active ingredient used to make the generic version of Zantac, Glaxo Wellcome's blockbuster ulcer drug. The patent on Zantac expired earlier this year producing a surge in sales of generic products. As a result, Holliday's profits are forecast to jump from £10.6m last year

to £26m this year. The offer price is a premium of 40 per cent to Holliday's 173%p share price on Tuesday, the day before the company announced it was

LEX COMMENT UK chemicals

The 10 per cent-plus drop in Yule Catto's share price UK chemicals index that greeted its agreed Relative to the FTSE Alf-Share index £240m bid for Holliday Chemical seems churlish. A company with a strong 100 4 management record is planning to take over one with the reverse. And Yule 90 does not look to be overpaying, with an offer of ess than 14 times Holliday's estimated 1997 earnings. While there is negli-

gible overlap, it would be carrying the focus craze to extremes to criticise a company for expanding by

acquisition within its own sector. True, it is a big bite for Yule. The deal entails almost a one for two share issue and sends debt up to nearly £170m. But interest cover should be more than five times and earnings should be enhanced from the first year. The dilution of two big shareholders in Yule means that if it fails to reap benefits from the deal, it would itself be easier to take over, limiting the downside.

indeed further bid speculation - sparked by the hostile move for Allied Colloids, as well as this deal - presents the best hope for reigniting investor interest in the sector. Its underperformance has epitomised the malaise that has settled on small to medium-sized UK exporters. The combination of financially strong predators, especially from overseas, and reasonably priced UK-based targets looks a

Both Allied Colloids and Holliday Chemical had question marks over their performance. While Courtaulds would be a bigger bite for any predator, it too looks vulnerable on that basis.

Celltech's head of R&D to leave

against profits of £3m which

included a £12.2m gain on

the sale of its Biologics arm.

Mr Fellner said the com

pany had £36.5m in cash and

was expecting a further

£10.5m later this year from

the Biologics deal. This was

more than enough to fund

Mr Bloxham is due to

depart in February to

become chief executive of

The shares lost 5p to 260p.

David Bloxham, bead of research and development at Celltech, the biotechnology company, has resigned six months after the shares halved in value when its lead product failed clinical

Peter Fellner, chief executive, said yesterday that Mr research costs for the next Bloxham's departure provided an opportunity for new people and new attitudes to be brought in. He added that the failure of the septic shock product earlier this year had not damaged

Therexsys, another biotechnology group. Analysts said Celltech's the underlying business. drug pipeline was forecast to Celltech also reported prestart yielding profits by tax losses of £12.1m (\$20.2m) 2000-01.



two years.

INVITATION TO SUBMIT BINDING OFFERS FOR THE ACQUISITION OF SHARES OF ATHENS PAPERMILL S.A.

On the basis of Article 6, paragraph 1(b) of Greek Law 2000/91, the Industrial Reconstruction Organisation S.A. ("IRO") announces today that the majority (99.7 per cent) of the shares of Athens Papermill S.A. ("APM" or "the Company") is offered for sale. Nikko Europe Pic ("Nikko", or the "Financial Adviser") has been appointed as Financial Adviser for the sale. The sale procedure will be an international Public Tender

A. Object of the Sale

The acquisition of shares refers to the sale of 30,817,368 nominal voting shares representing 99.7 per cent of the Company's total share capital. The shareholders, collectively referred to as the "Sellers", are the IRO, which holds 19,249,298 shares, the National Bank of Greece S.A., with 10,481,500 shares, and the National investment Bank of Industrial Development S.A. with 1,086,570 shares. The offers to be submitted by interested parties must refer to the total amount of shares on offer.

APM was established in 1937 and engages in the production of pulp and paper. The Company operates two paper mills, in Athens and in Drama, Northern Greece, and a conversion and finishing plant in Megalo Pefito, Attica. The Company is the leading Greek producer of writing and printing papers, of tissue paper products and of polyethylene bags. The Company also has significant operations in other wood and paper related cts. APM is the market leader in consumer tissue products in Greece, sold under the "Softex" brand name.

For the year to 31 December, 1996, the Company realised a turnover of GRD44.7 billion on total assets of GRD51.4 billion as at year end.

The present tender will take place in accordance with the provisions of Article 6, paragraph 1(b) of Greek Law 2000/91 as in force today, with the terms included in this invitation and with the terms provided in the "Procedures Letter" which will be made available to interested parties by the Financial Adviser, regardless of whether such terms are repeated or not herein. Submission of an offer implies the acceptance without any reservations of these terms by the bidder. Reservations or proposals of different terms and conditions will be disregarded.

rested parties are invited to deliver sealed binding offers to the premises of the Financial Adviser at the address given below by 5:00 p.m. on February 27", 1998. Offers received after this time will not be accepted and will not be taken into conside

Offers must be accompanied, on the penalty of invalidation, by a "Letter of Guarantee" to the amount of GRD500 million issued by a Bank legally operating in Greece. The text of the Letter of Guarantee will be provided to interested parties in the Procedures Letter.

Offers must be submitted on the basis of a Final Draft Share Purchase Agreement. Interested parties will receive and be able to conthe Initial Draft Share Purchase Agreement before it is finalised. Interested parties will have at their disposal adequate time to review and investigate the Company, and form their own view as to its condition. The aubmission of an offer implies that the interested party is fully aware of, and accepts, the true and legal position of the Company and that no additional terms will be accepted over and above those included in the Final Draft Share Purchase Agreement.

Offers must explicitly state the total price offered as well as the method and timing (in case of instalments) of payment. Any payment by instalments will require the provision of satisfactory guarantees.

Offers must be accompanied by a detailed Business Plan for the Company, including information as to the investment to be committed by the bidder to APM and as to the number of employees to be employed. The Share Purchase Agreement will impose obligations on the baser as to compliance with the terms of the Business Plan proposed and will specify the sanctions for breach of those obligations.

The criteria for the evaluation of offers will be based on the price offered and on the Business Plan, which must include the information and assurances specified above. In case an offer provides for payment of the acquisition price by instalments, its evaluation will take into account its present value, calculated by means of a fixed discount rate over the whole payment period. The evaluation process is set out in more detail in the Procedures Letter.

If the party whose offer is selected by the Seliers fails to execute the Final Share Parchase Agreement in the terms contemplated by its offer, when requested to do so by the Sellers, the amount of the Letter of Guarannee provided by that party shall be forfeited as a penalty to the Sellers, without prejudice to any further claim the Sellers may have against that party. Each party submitting an offer acknowledges that the amount covered by the Letter of Guarantee is fair and reasonable.

The Sellers retain the right to declare the tender process abortive for any reason, including if the prevailing offer is not judged wholly satisfactory to them.

10. The Sellers maintain the right to modify the terms of the present invitation, including the deadline for the submission of binding offers, provided that the interested parties involved in the tender process are informed in writing and the publicity requirements provided for by law

11. Interested parties do not acquire any right, claim or demand from the present invitation and from their participation in the tender process, against the Sellers or the Advisers, for any reason or cause whatsoever.

The present document has been drawn up in the Greek language and translated into English. The Greek text prevails in any dispute. Requests for copies of this invitation, the Procedures Letter and any other information, must be addressed to the Financial Adviser as follows:

Mr. Ashley Potter Corporate Finance Department NIKKO EUROPE PLC 55 Victoria Street Loadon SW1H 0EU England Tel: +44 171 799 2222 Fax: +44 171 222 3706

This announcement is issued by the IRO and has been approved for issue in the United Kingdom for the purposes of Section 57 of the Financial Services Act, 1986, by Nikko Europe PLC, which is regulated by the Securities & Futures Authority and is a member of the London Stock Exchange,

This advertisement is issued in compliance with the requirements of the London Stock Exchange This advertisement is issued in compliance with the requirements of the London Stock Exchange Limited (the "London Stock Exchange"). It does not constitute an offer or invitation to the public to subscribe for or purchase any securities in Marchpole Holdings plc ("Marchpole"). Application has been made to the London Stock Exchange for the entire issued share capital of Marchpole, issued and now being issued, to be admitted to the Official List. It is expected that admission will become effective and that dealings in the Ordinary Shares will commence on 12 December 1997.

(8.1) (3.5) (2.4) (6.54) (1.21) (3.3) (-) (5.5) (1.29) (5.7L) (13.17 (3.37L (22.53

10.2† 6.84 3.1† 12.71

(14.7) 12.71 (0.1111) 7.09L1 (5.01) 23.141 (0.7764) 2.98 (0.186) 3.193

Earnings shown basic. Dividends shown net, Figures in brackets are for corresponding period. After exceptional charge. The exceptional credit, ±0n capital adjusted for share consolidation, ±0n increased capital. #Excludes special. Outro short the short to september 30. For 15 months. Scomparatives for seven months to September 27. SSComparatives for 11 months to March 31. This currency.

MARCHPOLE

Marchpole Holdings plc

Placing by Société Générale Strauss Turnbull Securities Limited of 64,124,537 Ordinary Shares at a price of 110p per share

Share capital immediately following Admission Issued and fully paid Authorised Number Amount £35,000,000 175,000,000 Ordinary Shares of 20p each £23,890,913.80 .119,454,569 Marchpole designs, sources and distributes menswear and boyswear predominantly under licence

trum Yves Sum Laurent Couture SA. Copies of the Listing Particulars and the Supplementary Listing Particulars, which have been Copies of the Listing Particulars and the Supplementary Library Particulars, which have been published, are available for collection during normal business hours for a period of two business days from 9 December 1997, from the Company Announcements Office, London Stock Exchange, Old Broad Street, London EC2 and on any weekday (Saturdays and public holidays excepted) up to and including 22 December 1997 from:

Société Générale Strauss Tumbull Securities Limited Exchange House Primose Street Broadgate London EC2A 2DD

Marchpole Holdings pic 2 Berners Street London W1P 4BA

9 December 1997

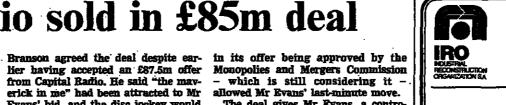
NOTICE TO THE BONDHOLDERS OF US\$100,000,000 TECO ELECTRIC & MACHINERY CO., LTD.

Due 2004 NOTICE IS HEREBY GIVEN

the holders of the outstandin nds of Teco Electric & Machines

Co., Ltd. (the "Company") that the Company has decided to issue 100,000,000 new common shares, with par value of NTS10 per share. The Record Date for the new issue in 8th Docember 1997. Under ROC's COMPANY LAW, the register or shareholders will be closed from 4d December 1997 to 8th December 1997 in order for the Company to to rights pertaining to commo shares. The precessing of any Conversion Notices submitted while the register of shareholders of the Company is closed will be post poned until 9th December 1997 Following the approval of the Scentiles & Exchange Commission, the Company's share capital will be increased from NTS10,033,016,790 to NTS11,033,016,790 (1,103,301,679 stage; with par value of NTS10). As a result of the increase in the Company's issued share capital, the conversion price of the Bonds has been adjusted from NT\$50 to NT\$49 with effect from 9th December 1997.

TECO ELECTRIC & MACHRERY CO., LTD.
CITIEANKO BY: CITIEANK, N.A.
as Principal Paying Agent







BUSINESS AND THE LAW

here is a tremendous amount of wringing of

hands and doomsaying

about the Asian eco-

nomic crisis and the effect it

might have on the ability of

Asian governments to service

their high levels of external debt.

but these gloomy predictions fre-

quently ignore the high levels of

external "non-borrowing" liabili-

ties Asian countries have

incurred to support their ambi-

tious private infrastructure

development programmes. The

risk of default on these may be as

great and the amounts involved

It is often assumed that the use

of financing techniques such as

build-own-transfer (BOT) and

build-own-operate (BOO) in Asian

private infrastructure pro-

grammes relieves the host coun-

try from the liabilities associated

with financing, building and

operating infrastructure projects.

This is a misconception. The real-

ity is that many of the risks of

the project remain with the host

government under the support

A typical BOT or BOO struc-

ture in Asia would involve a local company, primarily owned by

foreign investors, entering into a

support contract with the host

government under which the

company agrees to finance, build,

own and operate an infrastruc-

ture project, such as a power sta-

tion or a toll road, for a specified

The bost government in return

agrees in the support contract to

pay or guarantee tariffs to the

local company sufficient to repay

the capital costs of the project.

The tariffs are set to provide a

reasonable rate of return to the

investors and to service the debt

ture project without having to

borrow or spend its own precious

foreign currency reserves to

This financing technique,

together with the enormous need

for infrastructure in the region

and the voracious appetite of pri-

vate capital for new investment

opportunities in Asia, has created

the financing phenomenon of the

decade. Estimates vary, but the

total value of private infrastruc-

ture investment through BOT or

BOO schemes in Asia in 1996

alone is thought to be in the

Yet amid the flurry of invest-

ment and the search for ever big-

ger projects in ever more chal-

lenging jurisdictions it is often

overlooked that, despite the BOT

and BOO arrangement, host gov-

region of \$50km (\$29.90km).

borrowed to build the project. The government gets the bene-fit of a much needed infrastruc-

concession period.

contracts they enter into

are nearly as high.

The concern is understandable,

Court upholds trademark rights



owner can rely owner can rely on its rights to prevent third parties removing, altering and reaffixing or replacing whisky bottle COURT

 labels bearing its trademark, even if it constitutes a barrier to trade between European Union member states, the European Court of Justice ruled

Ballantine produces and markets branded alcoholic drinks. and in particular, whisky. Loendersloot, a Dutch transport and warehousing company, supplies customers engaged in parallel trading - buying products in countries where the price is low for resale in countries where prices are higher.

Dutch courts that Loendersloot products were to be put had removed whisky labels hearing its brand names and reaffixed the original labels or replaced them with copies. It iso alleged the Dutch company had removed identification on those rights to prevent third numbers on the labels and removed the word "pure" and the name of the importer approved by Ballantine from the original labels and in some cases replaced it with another name. The relabelled bottles were then exported.

A preliminary issue arose in the Netherlands Supreme Court as to the extent to which Ballantine could use its various trademarks to prevent this. Since the issue concerned the free movement of goods within the EU, the matter was referred to the European Court.

The Court noted that the relabelling of bottles had no adverse effect on the original condition of the product. In such circumstances the question to be determined was whether the relabelling was necessary in order to prevent artificial partitioning of belling before the products are the markets between EU coun-

That involved an assessment by the national court of the decide. necessity of relabelling as a means of protecting sources of supply of the parallel trader and enabling the products to be marketed in the various markets for which they were

Turning to the removal of

trademark identification numbers, the Court said there were legitimate instances where European law obliged the manufacturer to be in a position to identify the origin and movement of its prod-

> The use of the trademark as a means of preventing removal of labels and identification numbers for such purposes was not contrary to European law, the Court said.

Where a manufacturer used the identification numbers as a means of monitoring trade within the EU, parallel traders could seek protection under the EU's competition laws. But in order to safeguard the interests of trademark owners, European law required the person carry-ing out the relabelling to give the trademark owner prior Ballantine claimed in the notice that the relabelled

on sale. The Court ruled that the owner of trademark rights could, even if it constituted a barrier to intra-EU trade, rely parties removing, altering, reaffixing or replacing labels bearing its trademark, unless certain matters were established to the contrary.

Relabelling and marketing by third parties cannot be opposed if the trademark owner is using its rights to oppose the marketing of relabelled products in a manner which would contribute to the artificial partitioning of the markets between member

It cannot be opposed if it is shown relabelling cannot affect the original condition of the products, nor if the presentation of the relabelled product is not such as to damage the reputation of the trademark and its owner and the person performing the relabelling tells the trademark owner about the relaput on sale.

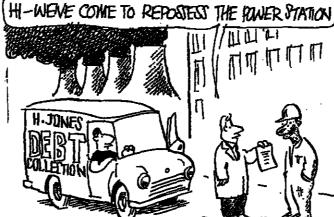
The Court said those were matters for the national court to

C-349/95: Frits Loendersloot v George Ballantine & Son, ECJ FC, November 11 1997.

> BRICK COURT CHAMBERS, BRUSSELS

Project pitfalls

Asia's infrastructure programmes could turn nasty, says Kent Rowey



ROWER BEALE

on the hook for these projects. In fact, three features of the government support contracts for these projects, combined with current account deficits of crisis proportion, could transform the private infrastructure development programmes of some Asian countries into a serious sovereign debt problem.

First, the support contracts between the host government and the project company typically provide that the tariff either will be paid in hard currency (usually US dollars) or that the government will guarantee the dollar equivalent amount of local currency payments. Foreign exchange risks are thus allocated to the host government.

Second, the support contract typically will provide for a "termination payment" by the host government in the event it fails to perform any of its obligations, including the obligation to assure availability of foreign currency. The termination payments are required by the project company's lenders, who want to ensure sufficient money is available in a lump sum on government default there is not enough foreign cur-to repay the debt they advance to finance the project. The termination payments are therefore at and project lenders enforce their least sufficient to repay the proj-

ect company's outstanding debt. typical BOT or BOO project includes a lot of debt. In power ernments remain substantially projects, the debt to equity ratio host government.

can be as high as 80:20. High levels of gearing are driven by the economics of these projects. As debt is generally a cheaper form of investment capital than equity, and because these projects are capital-intensive, high levels of debt financing are used to satisfy the competing requireents of governments (low tariffs) and investors (high returns).

For collateral, project lenders will charge all of the assets of the project company, and take a security assignment of the government support contract.

The result of all this is that governments commit themselves to billions of dollars worth of contractual obligations, all due in a lump sum, to protect investors and lenders against foreign exchange risk. Combine this structure with significant current account deficits and the scene becomes reminiscent of the sovereign debt environment of the late 1970s and early 1980s.

This is how a project banker's nightmare starts. Debt-service payments under project loan agreements are not paid because government. A default ensues, security assignment of the government support contract and Third, the capital structure of a step into the shoes of the project company to enforce the termination payment directly against the

sums of money to international banks, export credit agencies and multilateral institutions for infrastructure development (which is precisely what the BOT and BOO model was supposed to avoid). The lack of foreign currency that led to the default in the first place means that the government will not be able to make the termination payment. Multiply this situation by the large number of projects in the region and it pegins to look like Latin America, circa 1979 all over again.

Project lenders could attempt to enforce the termination payment obligation against the host government. But the problem of enforcing termination payments under government support contracts may be more problematical for international lenders than true sovereign-debt restructur-

Termination payments under a government support contract are not structured as debt. None of the customary sovereign lending covenants, such as negative pledges and pari passu clauses, are included in the contract, so lenders will be uncertain as to of Commerce, Bank of Nova the priority their termination | Scotia and National Bank of payment claims will have vis-avis true sovereign borrowings.

Moreover, inter-creditor arrangements in these projects | Canary Wharf. They alleged that are complex, often involving export credit agencies, multilateral institutions and commercial funders all lending to the same project. These lenders have historically approached sovereign debt restructuring differently and could reasonably be expected to approach termination payment work-outs in a similarly diverse fashion. Achieving the necessary level of consensus among these project lenders to approve a restructuring plan may prove dif-

ficult On the other hand, some of the forums, procedures and terms used in sovereign debt restructuring can be adapted to termination payment work-outs.

It is too early to tell whether the economic problems in Asia will transform the infrastructure finance boom into the project banker's nightmare. But whatever happens, if governments, lenders and investors doing new deals bear in mind that the practical consequence of termination payment default is a sovereign debt restructuring, appropriate contractual protections can be built into the support contract, and the path out of the nightmare is at least well-trodden and predictable.

The author is a partner and head of project finance at Freshfields. the UK international law firm.

Governments then owe large | LEGAL BRIEFS

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Clifford Chance settles Canary Wharf claim

ifford Chance, the **UK-based** international 🎜 law firm, has settled the C\$1.3bn (£540m) claim brought against it by four Canadian banks over the restructuring of the Canary Wharf office development in London's Docklands, Royal Bank of Canada, Canadian Imperial Bank Canada, sued Clifford Chance over heavy losses incurred in the early 1990s from the collapse of they lost out in the restructuring as a result of incorrect advice provided by Clifford Chance in a 1989 legal opinion.

New maps

I he third edition of Global Law Maps, a book of maps on world financial law. has been published by Philip Wood, an expert in international financial law and head of banking at Allen & Overy, the UK-based international law firm. The maps show the attitude of more than 300 jurisdictions to various topics of significance such as bankruptcy, global security, divided ownership and global netting.

Ashurst hire

shurst Morris Crisp, the City law firm, has appointed Jeremy Thomas as its first legal development partner to manage the firm's legal infrastructure. In addition he will develop the firm's intranet for desktop delivery of legal knowhow to fee earners. Pinsent Curtis, the national law firm, has appointed Philip O'Connor as its first national head of business development. Mr O'Connor is a former consultant to Boeing, the US aircraft manufacturer.

De Beers Centenary Finance PLC

Σ100,000,000 9% PER CENT GUARANTEED BONDS DUE 2020 (the 'Bonds')

INTEREST PAYMENT NO. 6

interest on the Bonds for the six months ending 31 December 1997 at the rate of £487.50 per £10,000 in principal amount of the Bonds will be baid on 31 December 1997 as follows:-

i) To holders of Bonds in registered form registered as such on 16 December 1997; and

ii) To holders of Bonds in bearer form by presentation and surrender of coupon no. 6 detached from Bearer Bonds to any of the follows paying agents:

Murgan Guaranty Trust Company

London EC4Y 0JP, United Kinedom Mergan Guaranty Trust Company

Banque Paribas Avonue des Arts 35 B -1040 Brussols, Belgium 10A boulevard Royal L-2093 Luxembourg

The ex-interest date on the London Stock Exchange is 8 December 1997. Payment of interest will, where applicable, be subject to deduction of United Kingdom income tax. Registered and Head Office: 6 Hope Street

isie of Man IM9 1AS United Kingdom 4 December 1997 The Royal Bank of Scotland plo ars Department, PO Box No. 82 Caxton House, Redcliffe Way Bristol 8S99 7NH United Kingdon

Swiss Bank Corporation

CH-8010 Zurich

Novartis recruits from rival

Basle-based Novartis, the world's biggest drugs company, has poached Jerry Karabelas, number three at UK-US rival SmithKline Beecham, to head its global pharmaceutical operations. Karabelas, 45, is head of SmithKline's North

American operating unit. He will take over Novartis's biggest division, with responsibility for pharmaceuticals, consumer health, the generic drug business, and Clba Vision - which makes contact lenses and other ophthal-

mic products. Karabelas, a US citizen, trained as a biochemist at the University of New Hampshire and took a PhD at the Massachusetts College of Phar-macy. He started at SmithKline in 1981, rising through the ranks on the sales and marketing side. From 1990 to 1993 he was director

executive management team in 1995. This year he became an executive vice-president of SmithKline Beecham Pharmaceuticals. The move appears to be a logical step for Karabelas. His work at

dent a year later and joined the

SmithKline included heading pharmaceuticals business operations for the world, strategic product development and the worldwide regulatory group. In addition, the chief executive and chief operating officers at SmithKline Beecham are over Hong Kong in July. in their early to mid-50s and show no signs of retiring.

 SmithKline has named Howard Pien, who currently runs the company's operations in China and Korea, to succeed Karabelas. Daniel Green, London

Tricky time for Kuok

chief executive. Chairman

Trevor Jones resumes the

products distributor TECH

DATA has named Gerald

European operations. He

■ Personal computer

Lable president and

managing director of

was previously with

Kuok Khoon Ean, who succeeds his

(Holdings) at the end of the month, is taking over the helm at a tricky

INTERNATIONAL PEOPLE

The publishing company's flagship newspaper, the Englishlanguage South China Morning Post, is one of the most profitable dailies in the world but is expected to see advertising revenues dip following the turnoil in Hong Kong's markets. There are also concerns over press freedom following China's resumption of sovereignty

However the younger Kuok. 42, brings to the board a wealth of experience. He has been a director of SCMP (Holdings) since 1993, when his father - an overseas Chinese tycoon who made his fortune in sugar - bought a controlling interest in the newspaper from Rupert Murdoch's News Corpora-

He is also a director of a number of listed companies in Singapore and the family's native Malaysia. of marketing for the US pharma-ceuticals operation, became presi-of South China Morning Post Kong. He holds directorships in the

statutory boards of Sentosa Development Corporation, Singapore and the Singapore Trade Development Board. Louise Lucas, Hong Kong

Giat strengthens top management

Giat Industries, the loss-making French state-owned tank and munitions maker, has moved to reinforce its top management team, recruiting from the private sector. Luc Vigneron, 43, director of strategy at Alcatel Alsthom, the telecommunications company, is to take over as managing director. Pierre Colmant, 49, is to be com-mercial and international affairs director. He is currently commercial director of truck and bus maker Renault VI. Jacques Lop-

pion remains as president. The company made a FFr2bn loss in 1996 and is set to remain in the red this year. Nonetheless, its success in recruiting two such

M NOMURA SECURITIES

Chapman, an American who

has appointed Max

runs the company's US

high-calibre and high-profile individuals from the private sector may bolster confidence in its ability to turn its results around. The state expects to pump FFr9bn in capital contributions into the group in 1997 and 1998.

42 C222 14 12 2

MINCHEY RATE:

BASE LEADING MATER

· . ÷

David Owen, Paris Potila steps down

from Finnair

Antti Potlla, the long-serving chief executive of Finnair, is planning to retire at the end of next year. Potila, who has been chief executive of the Finnish flag carrier since 1986, said he had decided to stand down after reaching retirement age at 60.

He was credited with overseeing the partial privatisation of Finnair in 1995. In the first nine months of this year the airline reported sharply increased profits of Fm572.2m (Fm233.5m). The carrier has not named a successor.

Tim Burt, Stockholm

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ON THE MOVE

■ US defence contractor

RAYTHEON has appointed

three new vice-presidents -David Welp, president of Raytheon TI Systems. formerly the defence arm of Texas Instruments which Raytheon acquired in July; Francis Marchilena. assistant general manager of Raytheon Electronic Systems, and Keith Peden, deputy director of human FORD MOTOR CORP has named James Donaldson president of European operations, Henry Wallace. tho resigned as president of Mazda last month, is to be Ford's chief financial officer and vice-president of

strategic planning for ■ John Borthwick is to step down as DERMA SCIENCES president, Richard Mink becomes chief operating officer. Charles Caudell is promoted to executive vice-president for field operations and Stephen Wills becomes vice-president for finance. James Woolf has been

software reseller Stream International. ■ Jim O'Donnell is to quit as president and chief executive of HSBC MARKETS and chief executive of HSBC JAMES CAPEL in New York, to become a Catholic priest. ■ ASIA SATELLITE TELECOMMUNICATIONS has announced the resignation of director Richard Goswell. He will be replaced by Cable & Wireless chief executive for Southeast Asia and Pacific Peter Moulson. **■ WOOLWORTH** CORPORATION has named Mitchell A. Kosh, 48, to the new position of vice-president, organisation and leadership development. Rakesh Varma has been named chief financial officer for CIGNA HEALTHCARE of California. He was vice-president, finance, for recruited from Flow East as CareAmerica Health Plans. chairman of the KOTVA department store, replacing ■ David M. Green has been Jan Syka, from the store's promoted from executive director of finance for ELI former owner KIS Ceske. ■ Auto components group LILLY's US affiliate to vice-president of global ECHLIN is to appoint Larry business integration. McCurdy chairman: he will ■ CLEVELAND-CLIFFS, continue as president and

supplier of iron ore products to the North American steel industry, has named Cynthia B. Bezik chief financial officer and senior vice-president of finance. She replaces John Brinzo.

TIG HOLDINGS have announced the appointment president and chief operating officer. She succeeds Don Hutson, who is retiring. Before joining TIG a year ago, Hennessey was president of Am-Re Services Don Brown has been named director of airlift and

tanker flight operations at BOEING in Long Beach, California. Brown spent nine years with McDonnell Douglas as a test pilot. ■ Satish Nandapurkar has joined BANK OF AMERICA as global product manager for foreign exchange options. Nandapurkar was most recently at Deutsche Morgan Grenfell

DRESDNER KLEINWORT BENSON has appointed Denis Parisien as Latin American strategist in its equities department in North America. He was formerly vice-president of Latin American research at BT Alex Brown. Dr. Kurt E. Stirnemann, currently chairman of the board at spark-erosion

machinery group AGIE CHARMILLES HOLDING,

of the Agie Charmilles

will become chief executive

Group and president of the

TECHNOLOGY GROUP, succeeding Andre Richoz who is leaving.
■ Franz A. Muller, 43, has been appointed managing director of READER'S DIGEST (Switzerland). Francois Pieri has been appointed managing director of CHRYSLER FRANCE. Pieri, 53, has been sales director of the company since April 1997.

GEORG FISCHER MANUFACTURING

■ Bo Goran Eriksson of the Trade and Industry Ministry has been appointed to the board of IMATRAN VOIMA (TVO). ■ SWEDISH FOERENINGSSPAR-BANKEN has announced that Per Aspegren will take

over as head of stock trading

SWEDBANK MARKETS. He

at its brokerage arm,

remains head of bond and foreign exchange trading. Graham Hardy has resigned as group chief executive and managing director of South African construction and engineering concern MURRAY & ROBERTS HOLDINGS, David Brink has become executive chairman. ■ Belgian-Dutch banking and insurance group FORTIS has appointed Joost

Kulper, chairman of its

MEESPIERSON, to chairman

Dutch merchant bank

of the board of FORTIS

Henjo Hielkema.

NEDERLAND, succeeding

offices, to bead Nomura's European operations as well.

FARMERS GROUP, the Los Angeles-based insurance-management and holding company, has elected Martin D. Feinstein, president and chief executive, to the additional position of chairman. ■ CHOICE HOTELS INTERNATIONAL has appointed Bruno Geny as enior vice-president. international. He was previously executive director for European mergers and acquisitions for the Union Bank of Switzerland. ■ Gilbert Jung is to be general manager for the 574-room SHANGRI-LA HOTEL WUHAN in China. which is under construction. ■ AON CORPORATION has appointed Kevann M. Cooke as corporate secretary. Cooke most recently served as special assistant to Cook County Board president John H. Stroger Jr., and as deputy chief of staff. ■ Disney's MIRAMAX FILMS unit has named Richard Sands to the new of

chairman of worldwide distribution. ■ Chris Davis has joined the bank RZB-AUSTRIA as executive vice-president, international consumer banking. he was until recently executive

vice-president for consumer banking in the Asia-Pacific region for ABN/AMRO bank. Lars Toft has been named managing director of RMG CLASSICS, Europe. ■ Lord Lang, the former UK cabinet minster, has been elected a director of MARSH & MCLENNAN. ■ Belgian airline SABENA has appointed Hugh Fraser. currently Benelux sales manager for British Airways, as executive vice-president for sales. ■ Vikas Nath, head of emerging markets equity strategy for UBS SECURITIES in London, has transferred to New York as head of Latin American equity strategy and research. ANZ INVESTMENT BANK, the investment banking arm of Australia and New Zealand Banking Group, has appointed four new global project finance managers – J. Grant Hauber, Patrick Tai Ming Tat and Eugene Sullivan in Hong Kong and Axelle A. Grossman in Singapore.

International appointments

Please fax information on new appointments and retirements to 44 171 873 3926, marked for international People. Set fax to 'fine'.

months.

MARKETS REPORT

The South Korean won

dropped 10 per cent yester-

day after the Halla congion-

erate collapsed and traders

worried that the Interna-

tional Monetary Fund-bro-

kered \$57bn rescue package

It is thought possible that

the winner of the country's presidential election, due in

nine days, might try to rene-

gotiate details of the IMF

package. It is also feared

that Korea's short term

debts might be larger than

previously thought. Yields

on benchmark three-year

corporate bonds closed at

22.95 per cent, a 16-year high.

to rise or fall 10 per cent a

day, hit the bottom of its

limit, closing at 1,342.4

against the dollar. The Bank

of Korea intervened at 1,340

50.7985 -4.0831 567 - 424 11.2224 -0.0252 173 - 274 8.9027 -0.0268 951 - 103 9.8629 -0.0214 589 - 688 2.9471 -0.0067 459 - 483 452.154 -1.394 602 - 706

482.154 -1.394 602 - 706
1.1320 -0.0033 306 - 331
2885.39 -7-3 381 - 717
60.7963 -0.0831 561 - 424
3.3212 -0.0073 195 - 228
11.9066 -0.0582 025 - 107
300.824 -0.0582 025 - 107
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12.8672 -0.1043 591 - 752
2.3341 +0.0091 325 - 856

-0.0089 462 - 472 1,5467 -0,0089 452 - 472 1,8318 -0,0074 311 - 324 2,3437 -0,0127 426 - 448 13,3681 -0,1236 538 - 784 1,8479 -0,0089 474 - 484

6.1809 -0.0331 786 - 831 2.6624 -0.0159 599 - 648 8.0228 -0.055 179 - 277

CROSS RATES AND DERIVATIVES

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EXCHANGE CROSS RATES

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10 3.347 8.714 0.342 2.970 8.284 3.279 3.962 7.665 4.120 9.863 4.208 5.985 4.584 8.633

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+0.01 +0.01 +0.04 +0.04 +0.03

Mar

0.15 0.04 0.01

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UK INTEREST RATES

LONDON MONEY RATES

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1.862

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Low 0.5589 0.5618 0.5650

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Low

92.29 92.24 92.31 92.42 92.60

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Strike Price 0.555 0.560 0.565

0.14 0.28 0.50

1,6487 1,8318

(AS) (HB(S) (FB) (Shk)

to smooth the move.

POUND SPOT

Dec 8

The won, which is allowed

By Simon Kuper

Korea's problems.



CURRENCIES AND MONEY



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AGAL BRIEFS

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Financei & Gen Berk, 8.00 eRobert Flemmo & Co7.25 725 eGuinness Mahon 725 Habib Brank AG Zurich 7.25 725 725 eHambros Bank 7.25 Hentable & Gen Inv Bk.7.25 C. Hoare & Co 7.25 725 725 Hongkong & Shenghai 7.25 Invested Bank (UK) Ltd7.25 7.25 CLacocid Joseph & Sons 7.25 7.25 7.25 Lioyde Bank Midsend Bank 725 725 eRea Brothers 7.25 Royal Bu of Scotland 7.25 Scotlish Wildows Bank 7.25 725

RASE LENDING RATES

Urited Bank of Kiswell. 7.25 Unity Trust Bank Pic. 7.25 Whiteeway Laidaw 7.25 Yorkshire Bank 7.25

Renewed Korean fall drags down yen The won's slide helped weaken the yen against the bank president, said infladollar. The US currency continued to benefit from Friday's unexpectedly strong payrolls report, which at the moment. The market showed the biggest American jobs growth in 21

The merger between UBS and SBC Warburg dented might fail to solve most of the Swiss franc slightly, as Switzerland's fragile economy was expected to lose well-paid jobs. The two banks are thought to be among the 10 largest in the foreign exchange industry. However, few currency strategists thought the merger would noticeably reduce liquidity in the market. The Swiss franc dropped 1.3 centimes against the dollar to a six-week low of SFr1.453.

--- Prev. close -

2 0.8508 20.6501 20.6593 61.1030 60.7100 60.5885 11.2778 11.2057 11.1859 18.8630 8.8500 8.8706 19.932 9.8495 9.8291 2.9632 2.9423 2.9375 464.425 461.536 464.096 11.1381 1.1307 1.1308 2.900.73 2881.85 2882.18 61.1030 60.7100 60.5865 3.3383 3.5183 3.3098 12.0036 11.8658 11.8652 3.02.165 300.94 300.178 250.110 204.8160 248.369

3.3883 3.5183 3.3098 12,0036 11,8658 11,8652 302,165 500,594 500,178 250,110 248,510 248,369 12,9909 12,8432 12,8338 2,4022 2,3873 2,3821

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1.127 2.834 0.115 1 2.789 1.104 1.334 2.581 1.387 3.321 1.417 2.015 1.544 2.234

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305.0 102.1 265.6 10.43 90.58 262.7 100 120.9 233.8 125.7 300.8 128.3 182.6 139.8 202.3

1,3 -1,4 -8,9

1.4756 3.1

Hans Tietmeyer, Bundestion and exchange rates were not worrying the Group of 10 central bankers took this to mean that central banks were not about to intervene in support of the yen. Various Tokyo officials had recently hinted at intervention. Yesterday Japan's

ministry of finance denied

that it would sell US Trea-

sury bonds in order to

finance a bail-out of Japa-

nese banks. The D-Mark see-sawed as conflicting rumours emerged about German jobless figures for November, due out today. Early on the currency was hit by a report in the newspaper Die Welt, which said there would be a jump of 75,000 in the unadjusted jobless total. Later, however, rumours emerged saying that any rise would be nearer 10,000, and the D-Mark recovered somewhat.

3.7 20.0813 3.8 58.6947 3.8 10.8704 3.9 8.5188 3.8 2.8446 -5.8 485.778 1.4 1.1058 1.5 2818.04

3.6 58.6947 3.9 3.2052 3.8 11.5239 2.6 292.193

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21.16 11.47

Aceinst the D-Mark (SFr per DM) 0.60

nigs against the D-Mark to close in London at Y130.6 and DM1.788.

■ The pound continued its slide of the last few days, as November UK producer prices and October industrial production data emerged tame. Sterling fell 0.9 cents against the dollar The dollar rose Y0.5 and 0.7 pfennigs against the

Europe
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Belgium
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France
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Greece
Ireland
Luxembourg
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Switzerland
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Hong Kong
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1.645 0.891

2.427 1.014
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0.721 0.301
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1.453 0.607
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JAPANESE YEN FUTURES (MM) Yen 12.5m per Yen 100

Change -0.0029 -0.0026

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+0.071 +0.00175 -0.015 +0.0028 +0.00561 +0.0047

EMS EUROPEAN CURRENCY UNIT RATES

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PHILADELPHIA SE C/S OPTIONS \$31,250 (cents per pound

E PHELADELPHIA SE D-MARK/S OPTIONS DM62,500 (S per DM)

THREE MONTH EURODOLLAR (MIN) Sim points of 100%

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High

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CALLS

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76.0 102.0 101.3 99.6 91.6 76.9 85.5 107.8

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104,9

3.4 3.5 3.1 3.5 3.5 -5.1 2.3 3.5 3.5 3.5 2.9 2.9 2.9 2.3

2.9

S&P's MMS in London, said:

■ The dollar is now benefiting from the Asian financial Redeker, senior economist at Chase in London. He argued that investors were moving into countries where domestic demand was strong, because Asia's crisis was expected to deflate global growth. The payrolls report suggested that the US poses the strongest domes tic demand in the West.

Furthermore, said Mr

| Caracta Rip \$4,0560 | 58,1572 \$5,2470 | 33,2374 | 332,2314 | 332,2568 | 201,720 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 201,770 | 20

38,7290 6,7803 5,3855 5,9801 1,7815

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151,100 7,8362 1,4533 1,6590 1,1118

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151,050 7,8062 1,4528 1,6479 1,1083 0,73780

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Est. voi Open int.

7.88 1.15 0.70 0.82 0.42 0.23 0.18 0.01 0.01 0.00 0.00

Feb 2.53 3.08 3.67

0.58 0.79 1.04

0.08 0.21 0.42 0.66

Est. vol Open int.

129,917 393,786 288,589 477,342

Jan 1.81 2.25 2.90

(AS) (HKS) (HKS) (SH4) (SH4) (KS) (KS)

D-Mark to \$1.648 and Redeker, because of the DM2.947. Michael Wallace, Asian crisis the Federal senior currency economist at Reserve was forecast to leave US rates on hold after There are some longer term its open market committee sterling positions that are meeting next week. US demand was therefore likely to remain strong, he said.

■ Zhu Rongji, China's vice crisis, said Hans Gunter premier in charge of the economy, said yesterday: "I can solemnly swear that the Chinese renminbi will not be devalued." There has been much debate over whether China will weaken its currency, the renminbi or yuan. now that most of its Asian neighbours have devalued.

> ■ Tomorrow's bail-out package for Japanese banks could be bigger than expected, reports say. There is talk of the government spending Y10,000bn, mainly to buy stock in financial institutions as a way of improving their capital es. A package that big could impress the market.

> > 12.3588 36.2 6.7051

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EURO CURRENCY INTEREST RATES French Franc Portuguese Esc. lailan Lica 96.30 96.08 95.86 98.30 96.09 95.87 IN THREE MONTH EUROMARK FUTURES (LIFFE) DM/m points of 100% +0.01 +0.01 +0.01 +0.02 96.22 96.08 95.88 95.69 96.23 96.09 95.88 95.71 15**759** 34374 23737 258788 330280 311670 9859 ONTH EUROMARK FUTURES (LIFFE)' DM3m points of 100% 96.24 96.35 96.26 6248 600 133 100 # THREE MONTH EUROLIPA FUTURES (LIFFE)* L1000m points of 100% Sett price Change 93.98 94.73 95.28 95.44 93.97 94.73 95.29 95.45 +0.01 +0.02 +0.02 I MONTH EURO SWISS FRANC FUTURES (LIFFE) SF/1m points of 100% Sett price Change 98.14 98.08 97.91 97.75 -0.06 -0.08 -0.08 -0.07 98.17 98.14 97.95 97.79 7078 7111 1761 EE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

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pleton Global Strategy Funds

As resolved at the Annual General Meeting of Shareholders held i Luxembourg on November 28, 1997, Templeton Global Strategy Funds will pay dividends to the Shareholders of the following Funds as of record or

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ember 28, 1997, against presentation of the respect

26, houlevard Royal, L-2449 Lux R.C. B 35 177

Growth Flund - Class A

Securities Fund - Claus A

Tel: (49) 69 272 23 272 Tel: (352) 46 66 67 212 Pax: (49) 69 272 23 120 Pax: (352) 22 21 60 0800 305 306 Hong Kong Tel: (852) 2877 7733

Fax: (852) 2877 540 The Board of Director December 1997

Kingdom of Norway U.S. \$200,000,000 Floating Rate Notes due December 2002 For the Interest Period 8th December, 1997 to 8th June, 1998 the Notes will carry a Rate of Interest of 5.6875% per mount with Coupon Amount of U.S. \$143.77 per U.S. \$5,000 and U.S. \$2,875.35 per U.S. \$100,000. The relevant Interest Payment Date will be 8th June, 1998.

Company, London Agent Ban

Fax: (44) 131 228 4506

Merrill Lynch & Co., £100,000,000 Floating Rate Notes due 2001 For the interest period from 4th Detember, 1997 to 4th March, 1998 the Notes will carry a Rose of Interes of 7.95 per cent, per sonoum. The Coupon Amount per £1,000 Note will be £19.60.210,000 Note will be £19.60.27 parable on 4th March, 1998.

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Economic fundamentals lift Europe

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

European bond markets ended higher yesterday, shrugging off weakness in US debt markets to post modest gains following speculation about another rise in German unemployment last

"It was one of those rare occasions when the market was driven by European economic fundamentals." said Phyllis Reed, international bond strategist at BZW.

However, in spite of disappointment that the US market had failed to sustain its brief break below the 6 per cent yield point on the long bond, activity in the Treasuries market was still setting the overall trend for markets, she said.

Trading volumes in the futures markets were light. especially in UK gilts, which of the German yield curve.

recorded one of their quietest days for some time. GERMAN BUNDS got off to a bright start on indica-

tions of the rise in unemployment ahead of official figures due today. German newspapers reported the jobless figure would rise by 75,000, but there were reports after the markets closed that the rise could be about half that.

Earlier, the yield on the 10-year bund had fallen to a new low of 5.36 per cent as bunds led other European markets modestly higher, in spite of the weaker US opening. The March future settled 0.43 higher at 103.93. while the yield spread over US Treasuries widened to 66

basis points. Analysts said much of the rise in bunds was in longdated stock rather than at the short end, which is already pricing in a significant Bundesbank tightening. The result was a flattening

dence that the economy unchanged. would slow down next year. "If the evidence continues to

accumulate - as we expect it will - the Euro-DM curve still has considerable scope to flatten," Mr Mutkin said in a commentary. UK GILTS also moved

higher in reaction to bad news elsewhere in the economy, after figures showed a sharper than expected fall in industrial production in October. This was seen as threaten-

ing the UK's fragile manufacturing recovery, with predictions that if domestic orders failed to hold up, there could be more problems ahead for the manufacturing sector. On a brighter note, the

market is now waiting for data due to be released today that will give indications of the progress of inflation for

gist at Tokai Bank Europe, to support the Bank of December, which settled 0.32 yielding 5.931 per cent while noted that the data from England's decision last week Germany was further evi- to leave interest rates

However, the December short sterling future continued to discount a quarterpoint rise in rates in the first three months/of next year, which is broadly in line with what analysts are predicting. future moved higher in line The yield curve is also expected to flatten as the peak of the current rate cycle approaches.

The March gilt future settled & higher at 11913, but volume was a slim 33,000 contracts for the session. Traders were at a loss to explain the lack of activity beyond holiday factors. The yield spread over 10-year bunds was unchanged at 122 basis points.

FRENCH BONDS were boosted by what traders said was substantial buying by foreign investors through one Paris house, and rolling over of positions into the

higher at 100.76. The March contract settled 0.36 higher at 100.32

While the Italian and Spanish domestic bond markets were closed for a holiday, there was some trading in futures in London.

The ITALIAN BTP March with bunds, settling up 0.49 at 114.96, having failed earlier to break through 115. A likely cut in Italian interest rates is the market's next focus, although analysts said BTP prices already reflected the move.

mixed at midday, with long-term issues bearing the brunt of speculation that the Japanese might sell some of their US bond holdings. By early afternoon the

US TREASURIES were

benchmark 30-year Treasury bond was down & to 1004, sending the yield up to 6.109 ner cent. Shorter-term issues were slightly lower. The

Laurence Mutkin, strate- November, This is expected March contract from the 10-year note fell % to 1012. the two-year note was down h at 99h, yielding 5.811 per cent. The Federal Funds rate was at 51/2 per cent.

Weekend reports that the Japanese government has been urged by officials to sell some bonds to support the country's banking system weighed on the markets. However, traders said there were no signs of large-scale Japanese selling.

"If they do something, it will probably be announced on the 10th, when they announce their stimulus package," said Tom O'Connell, senior government trader at First Chicago Capital Markets.

No leading economic data releases are expected until later in the week. On Thursday, new figures on retail sales for November are expected, and on Friday new data on producer prices and business inventories will be

French bank raises \$53.5m for Arab fund

By Roula Khalaf

Société Générale, the French bank, has raised \$53.5m for a close ended Arab fund to and you can buy Israeli invest in Arab countries, the bank said yesterday.

The fund, launched in October, will be managed by SocGen's emerging markets subsidiary and will invest in equities in Egypt, Lebanon, Jordan, Oman and Bahrain. But investments might also be made in other markets such as Saudi Arabia if they were to open up to foreign

Although the Saudi stock market is the largest in the Arab world, with a capitalisation of more than \$50bn, the only way foreign investors can tap it at present is through a country fund run by the Saudi American Bank, which is partially

owned by Citibank. SocGen's Arab fund will invest mainly in listed securities. But a maximum of 40 per cent of funds can also be devoted to unlisted equities. invest in pre-privatisation issues, which can be bought at significant discounts.

to be extended to seven years. It has been sold mainly to Arab investors, who are less sensitive to troubles in the region and more likely to invest in a cent since the beginning of regional fund that excludes Israel, Tunisia and Morocco. which both allow foreign investment in their stock markets, were also excluded

from the fund. "We did not feel we could add value for our clients in those markets," said Christopher Butterwick, sales man-

INTERNATIONAL BONDS

ager at Société Générale Emerging Europe Asset Management. "Casablanca has become too expensive, stocks through GDRs [global depositary receipts] listed in New York."

The past two months have been a difficult time to market an Arab fund. In addition to continued turmoil in Asian markets, a crisis broke out between Iraq and the UN threatening Baghdad with US military action. Last month, gunmen killed 69 foreign tourists near the southern Egyptian city of Luxor, in the worst attack on foreigners since Islamist militants launched their campaign against the government in 1992.

Middle-east markets have held up well during the Asian crisis. For example, Jordan is up 12 per cent so far this year. Lebanon more than 20 per cent and Egypt more than 16 per cent.

"The region as a whole demonstrated very low corwith one objective being to relation with global markets and with Asian markets. Foreign investors have not yet become significantly The fund's initial life will involved in these markets be five years, with an option and local investors are less influenced by what happens on Wall Street, in Korea or

Japan," said Mr Butterwick. The Cairo stock exchange is still up more than 16 per the year but has lost some 2 per cent a week since the November 18 killings.

Political instability in the region has also made foreign investors in GDRs of Arab companies nervous, pushing prices down on average 7 per cent, according to

1. 1884 P

Surprise 10-year deal from World Bank

INTERNATIONAL BONDS By Edward Luce

The World Bank took many investors by surprise yesterday with the first 10-year fixed-rate dollar issue since the market crisis in late

October. The \$750m offering, priced to yield 20 basis points over 10-year Treasury bonds, was aimed at filling a gap at the longer end of the dollar sector, said a banker at Goldman Sachs, sole lead manager. "This is the sort of deal the market was looking for the

5.500 BB 5.250 BB-6.250 BB 8.750 B+

8.63 8.71 7.94 8.10

-0.03 -0.03 -0.04 +0.01

-0.70 -1.02 -0.49 -0.69

+2.57 +2.54 +1.91 +2.06

was in mid-October, when the Inter-American Development Bank came to the market with a \$1bn offering. The IDB bond, which was priced to yield 34 basis points over

Treasuries, has since tight-

ened to a spread of about 25 basis points. This, and the fact that the World Bank's 10-year global dollar bond - launched in 1996 - is trading at a spread of about 16 basis points over Treasuries encouraged it to re-open the long-dollar mar-

ket, said officials. In addition, the World transaction was somewhat must otherwise have been a

The last 10-year fixed bond ing yesterday's issue its first bearer offering in some

"Eventually a lot of this paper will end up in retail hands," said the official. Much of the demand for the paper - which some criticised as being priced "too aggressively" - came from by Asian investors, including central banks, said officials. They added that most of the paper, which was trading flat to its launch price last night, had been sold by

the end of London trading. Others noted that the

New international bond issues # HS DOLLARS 99.496R Dec 2007 0.325R 100.00R Dec 2024 0.30R 100.00 Jan 2004 2.50 III FRENCH FRANCS. Province of Quebect ING Barings

rmerdible. ‡ Floating-rate note. Ft. foed re-offer price; fees shown at re-offer level, at Organizat. Bank of East / 2.9 yrs. 10% clean-up caff. a1) 1-min Libor +350p to Dec 03, then 1-min Libor +3750p. a2) Class Bt US\$250m, av. 1-min Libor +360p. b) Ecohampeable into NRG ordinary shares at £1 008.86. Excharge ratics 18.3184. FXt F12.01 able from Jan 01 at per. c) 8% to Dec 98, then TEC10 -73bp. i) Over Interpolated yield. ii) Long 1st coupon the deal. "This makes the lead manager of a \$234m "If this had been a UK lead manager much more asset-backed offering issuer it would have come at

rival bank. "For a sensitive deal like this, it can also help to have just one bank in

by HONG KONG MORTaccountable than otherwise," said one official at a GAGE FUNDING. The issue, backed by mort-

gages from Bank of East at the moment to bring an Asia, one of Hong Kong's charge of distribution." largest property lenders, was
The UBS syndicate desk
kept itself busy on what
Kong's sovereign ceiling. In spite of this, the bond was ettling day for priced to yield 35 basis points over one-month Libor.

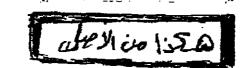
US CORPORATE BONDS

a spread of around 13 basis points," said an official at UBS. "But it is very difficult east Asian credit to the market." Nevertheless, the bonds tightened marginally in secondary trading. The \$26m subordinated tranche was priced to yield a spread of 90 basis points over Libor.

but not e		g yet	," sai					e gap	
the officia	au. 			ın tı	se rec	TII SEC	tor by	mak-	only one lead manager for those at the Swiss bank, a
WORLE	BON	D PF	IICES						
BENCHI	KARK Red		ERNI BK			S Wk cha	Mach	Year	BOND FUTURES AND OPTIONS
Dec 8	Date	Cour	ON Pric	a Yield	ylekt	yleid	chg ylid	chg yld	France E NOTIONAL FRENCH BOND FUTURES (MATIF) FF7500,000
Austraļis 	03/99 10/07		50 101,2 00 127,3				+0.29 +0.24		Open Sett price Change High Low Est. vol. Open Ira
Austria	09/99		00 104.16 25 101.2				-0.12 -0.22	+0.58 -0.41	Dec 100.50 100.76 +0.32 100.82 100.48 92,346 77,470 Mar 100.00 100.32 +0.36 100.36 100.00 70,114 60,184
Beigium	04/99	7.0	00 103.6 50 105.1	000 4.2			-0.15 -0.21	+0,82	Jun 98.42 98.74 +0.36 98.42 98.42 2 12 LONG TERM FRENCH BOND OPTIONS (MATIF)
Canada	03/99	4.0	00 99.1	900 4.67	7 +0.02	+0.21	+0.73	+0.47	Strike —— CALLS —— PUTS ——— Price Jen Feb Mar Jan Feb Mar
Denmark	12/99		50 111.30 00 102.31		_		+0.16		96 3.96 3.97 4.04 - 0.03 0.11
	11/07	7.0	00 108.3	200 5.87	7 <u>-0.04</u>	0.05	-0.26	-0,84	97 2.96 3.02 3.13 - 0.06 0.19 98 1.97 2.13 2.27 0.01 0.18 0.32
Finland	01/699 04/06		00 107.13 50 111.0				-0.21 -0.27	+0,35 -0.74	99 1.04 1.33 1.51 0.98 0.37 0.55 100 0.33 0.70 0.90 0.37 0.74 0.93
Françe	11 <i>19</i> 9 10 <i>1</i> 04		00 104.8° 50 109,14				-0.12 -0.21	-0.10	Est. vol. total, Calls 4,670 Puts 9,227 . Previous day's open Int., Calls 70,723 Puts 102,483.
	10/07 10/05		00 100.81 00 101.1:				-0.25 -0.30		Germany
Зетивну	06/99 07/04		00 98.94 50 108.56			+0.02	-0.09 -0.17	+0.73 -0.32	MOTIONAL GERMAN SUND FUTURES (LIFFE) DA250,000 100ths of 100%
	07/07 07/27	6.0	00 104.50 00 107.80	500 5.37	7 -0.06	-0.08	-0.23 -0.30	-0.46	Open Sett price Change High Low Est. vol Open int Mer 103.53 103.93 +0.46 103.95 103.44 105027 259675
retand	04/99	6.2	50 101,2	5.19	-0.02	-0.02	-0.31	-0.95	Jun - 103.24 +0.46 0 48
	08/06		00 114.80 00 102.1			-0.07 -0.03	-0.35 -0.35	-1,11	■ BUND FUTURES OFTIONS (LIFFE) DM250,000 points of 100%
	05/02 07/07	6.2	50 103.44 50 107.00	5.36	-0.02		-0.33 -0.38	-1.57 -1.87	Strike CALLS PUTS PUTS Price Jan Feb Mar Jun Jan Feb Mar Jun
lenne-	11/26 06/99	7.2	50 113.2	300 6.25	-0.03		-0.42 -0.02		10360 0.60 0.89 1.11 1.22 0.17 0.46 0.68 1.48 10400 0.31 0.61 0.83 0.99 0.38 0.68 0.90 1.75
Japan	12/02	4.80	00 106.50 00 117.39	1.2 1	. -0.0 ₹	-0.05	-0.02	-0.60	10450 0.12 0.39 0.80 0.80 0.89 0.96 1.17 2.06 Est. vol. total, Cells 154341 Puts 11012. Previous day's open int. Cells 154341 Puts 141555
	09/05 03/17		00 109.75 00 115.75			-0.12 -0.17	+0.05	-0.62 -0.79	Car for many damp start (and 116/67 110/400 miles about their damp starter) and resident
Netherlands	08/99 02:07		00 104,46 50 102.90			+0.05	-0.04 -0.24	+0.84 -0.44	III NOTIONAL GERMAN BUND (BOBL) FUTURES
New Zeeland	92/00 11/06		00 98.55 00 107.16				+0.35 +0.28	+0.13 -0.41	(DTB) DN250,000 100the of 100% Open Set price Change High Low Est. vol Open int.
Norway	U1/99	9.00	00 105.00	00 4.36	-0.04	-0.06	-0.17	-0.36	Dec 103.96 103.94 -0.09 103.99 103.92 16,624 129,693
Portugui	03.99		50 108.30 30 104.43			-0.03	-0.24 -0.24	-0.8? -1.34	Mar 103.47 103.51 +0.05 103.57 103.40 59,718 190.367
Spain	02/07		25 105.94 30 104.14			-0.06 -0.03	-0.28 -0.23	-1.24 -1.27	E NOTIONAL GERMAN BOBL FUTURES (LEFFS)* DN250,000 100ths of 100%
	03.107	. 3	50 111.36	12 5.73	<u> </u>	-0.01	-0.29	-1.21	Open Sett price Change High Low Est. voi Open Int. Dec 103.43 103.52 +0.13 103.53 103.42 1405 7.873
Buyeden	01/99 08:07		106.02 112.80			+0.05	+0,14 -0.19	+0.26 -0.87	Mar - 102.94 +0.33
Switzerland	0179		76 102.79 30 108.10			-0.15 -0.02	-0.33 -0.16	-0.46 -0.47	Italy
ж	08.97 11/04		00 98 43 50 100 78			-0.06 -0.02	-0.04	+0.37	II NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100%
	72707	7.25	50 105.04 30 119.35	WG 6.47	-0.06		-0.07	-1.06 -1.38	Open Sett price Change High Low Est. vol. Open int.
/8	07.99	5.A	'5 100.DC	30 5.83	+0.04	+0.02	+0.10	-0.13	Mar 114.50 114.96 +0.49 115.00 114.40 14658 114479 Jun 114.23 114.51 +0.49 0 42
	47.20 10.80 12.80	£ 12	50 106 92 15 101 21 15 102 92	50 5.93	+0.03	90.0e	-0'07 10'07 10'07	-0.05 -0.31 -0.35	E TTALLAN GOVT. BOND (BTP) PUTURES OPTIONS (LIFTE) LIS200m 100ms of 100%
ECU	03.97	5.00	100A	00 4.63	-0.03	-0.02	-0.13	+0.40	Strike CALLS Jun Nar Jun
London classing	04/07		00 09.90		-0.06 Source: In:		-0.27 bata/FT in	-0.65 formation	11450 1.24 1.47 0.78 1.46 11500 0.95 1.24 0.99 1.73
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	Bid	Spread	, ×.	ı .		86d	Spread vs	**	MOTIONAL, SPANISH BOND FUTURES (MEFF)
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gejörna presses	5 45 5 52	+0.08 +0.15	-0.40	Portuga		5.56 5.77	+0.19 +0.40	-0.36 -0.15	May 105.05 104.72 -0.43 105.08 104.55 10.357 21,481
Carrocks Carrocks	5 87 5.87	+0.30 +0.50	-025 -005	Spein Sweden		5,73 8,19	-0.50 -0.50	-0.19 +0.27 -2.44	M NOTIONAL UK GILT FUTURES (LIFFE) 150,000 32nds of 100%
intend rance	5.56 5.38	+0.18 +0.01	-654	υk	enci	3.48 6.47 5.93	-1,69 -1,10 -0,55	+0.55	Open Sett price Change High Low Est. vol Open Inc.
internative retarnij testo	5.37 5.78 5.78	+0.33 +0.41		ecu e		5,51	≈ 0.14	-0,41	Dec 119-00 119-07 +0-15 119-07 118-30 3455 34727 Mar 119-14 119-26 +0-15 119-28 119-14 35039 169322
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EMTERGI	NG MA	RK	ET BC	edes		D		ė	119 1-08 1-38 1-56 0 0-20 0-50 1-04 14-56 120 0-31 1-02 1-18 0 0-43 1-14 1-30 15-58
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Dec 8 III EUROPE		puþa	Reting	price	yield	ykt	yld	UŞ	——————————————————————————————————————
rogtin (02/02	7.000		93,3618	8.92	+0.02	+0.64	+3.04	Ecu
	07/00 11/01	7.750 9.250		102.3379 97.3165	6.71 10.10	-0.03 -0.01	•0.19 •0.17	+0.87 +4.24	R SCU BOND FUTURES (MATIF) ECU100,000
e latin a									Open Set price Change High Low Est, vol. Open mt. Dec 99,64 99,88 +0,34 99,92 99,64 666 8,495
	01/1.7 1 11/01	11 375 8.875	86-	109.7474 100.2500	10.19 8.79	+0.01 -0.04	-1.43 -0.65	+4.18	Dec 99.64 99.86 +0.34 99.52 99.64 898 8,495 Mar 99.42 99.62 +0.34 99.42 99.42 409 692
Serdico 1	זטונ	9.875		104,8972	9.07	+0.01	-0.65	+3.15	us
ME ASIA Thins (07/06	7.750	888+	105.6278	8.85	-0.03	-0.45	+0.94	E US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%
milippines '		8.750 7.750	88+ A-	93.0468 90.5725	9.55 9.29	-0.04	-0.60 -0.86	+3.55 +3.37	Open Latest Change High Low Est. vol. Open Int.
S AFRICAT									Dec 118-24 118-26 -0-03 119-00 118-21 73,177 152,120 Mar 118-18 118-20 -0-03 118-26 118-14 816,900 535,686
non <u>eda</u>	07/00	9.125 9.625		101.9589 104,3316	8.23 7.27	+0.03	+0.33 +0.54	+2.38	Jun 118-08 118-09 -0-04 118-17 118-06 1,381 17,781
outh Africa 1	-COO								

Nec 5 WITH FIRST Y Tel Y Tel WHE WHE WHE WHE WHE WHE WHE WH	07/02 08/25 05/08	7.25 7.00 8.00	AA- A+ BBB	price 103.8641 97.6358 108.2224	yield 6.31 7.19	yld +0.08		Govts	M HURO DM	197	19350		arrections	yk	eri eres	rii.	7.4
Pac Bell PY Tol WE III FINANCIAL! BECC IS One IS West III PUDUSTRIAL	07/02 08/25 05/08	7.25 7.00 8.93	AA- A+	103.6641 97.6358	6.31							* · · · · · · ·					
TY Tel WE III: FINANCIAL! IECC Ienc One IS West III INDUSTRIAL VMX Tech	08/25 05/08	7.00 8.93	A+	97,6358				+0.45	BB	02/07	5.750		102,1500	5,44	-0.04	-0.27	
MI FINANCIAL BECC Jenc One IS West III INDUSTRIAL VMX Tech	05/08	8.00			7.TW	+0.04	TV.03	+1.11	Spain	01/07	5.750	AA	101.5300	5.53	-0.04	-0.25	
III FINANCIAL SECC Senc One IS West III INDUSTRIA VMX Tech	. د د د د		🗕	·	6.88	+0.07	_	89.0+	Philip Morris	03/04	5.375		98.9000	5.58	-0.04	-0.11	
SECC Senc One IS West III PROLISTAÇÃO VMX Tech			22.			1,1 -,2	7		ABN AMRO FRIN	03/05		rva	99.6405	5.40	-0.04 ∆ ∴ ∴	-0.20	٠ د د د د
Benc One IS West III PROLISTRIA VMX Tech			AAA	115.8761	6.47	+0.07	+0.01	+0.57		53.00	Giet (i)		- 1	-ે∉: 5.18	-0.02	روز در در 0.21–	:
III INDUSTRIAL	08/02	7.25	A +	103,4509	6.37	+0.08	+0.05	+0.51	Austria Abbev Nat	01/04 02/04	5.500 6.000		101,0500 103,5700	5.30	-0.02		
MX Tech	01/07		B88+	102,2858	6.95	+0.07	-0.03	+1.05	Cred Fonder	02/04	9.125	A	118,0700	5.59	-0.03	-0.18	
MX Tech	B		د هرمند. د د د	1100		·			Abbey Not FRIN	09/06	4.510	n/a	102,0121	4.28	-0.05	-0.24	-
	04/99	6.25	Α-	99.6939	6.48	-0.08	+0.16	+0.71	EURO LEIA	200 A	رد بد.	·	*_**	·		· 1.	
THE APPL	05/02	6.75	ÄÄ	101,7974	6.27	+0.08	+0.02	+0.41	EB	02/07	7.000	AAA	109,4200	5.65	-0.01	-0.40	-
Sayton Huid	06/21	9.70	88B+	128,3957	7.18	+0.05	-0.11	+1.10	Abbey Nat	02/02	6.800		105,0000	5,43	-0.02	-0.34	
E AGENCES	5. TA		72A.3	TINDA,			3.73	\$24/65	Walt Dianey	06/00	8.625	n/a	107.3500	5.41	-0.04	-0.42	+
HLMC	04/07	7.14	N/A	106.5374	6.20	+0.07		+0.30	Abbey Nat FRN	03/07	8.000		104.1333	6.83	+0.04	-0.67	
LMA	03/00	7.50	N/A	103.2366	5.93		+0.07	+0.12	E BIROS	44.07	Sec.	4, 19	新存的	3.5			
NMA	02/18	8.95	N/A	127,5811	6.48	+0.05	-0.12	+0.40	EB	12/07	7.625	AAA	108.2021	6.75	-0.06	-0.16	+
PCB	80/20	8.95	N/A	117,8702	6,20	+0.08	-	+0.30	Dresdner Bk	12/07	7.750	AA-	103,6060	7.23	-0.06	-0.09	+
HIGH YELD		-5.77	::- · :	S IN	4 7 7 7	201	400		ABS	01/07	8.375		108,3440	7.39	-0.06	-0.03	+
tone Cont	02/01	9.88	В	102.0000	0.00	درون درون مو			Abbey Nat FRN	02/02	7.830	7902-0-	100.0321	8.71	-0.04	-0.07 	
K Sti	12/01	9.13	BB-	103.6250	0.00	Ξ	_	Ξ	E BUROS		(C.)(C.)			S : 2	* ?		Y
acaits	06/04	10.75	₽-	98.7500	0.00	_	_	_	EE	04/07	7.250		107,0987	6.22	-0.08	-0.14	+
lew York classing.							ds/FT ink		ABN Amro Quebec	08/07 01/07	7.125 7.000	AA- A+	104.0234	6.56 6.56	-0.09 -0.05	-0.14 -0.10	ات اب
tendard & Poor's	ratings. Y	/lekter 90	emi-emu						Citicara FRN	02/04	5.938	Ã.	99,4709	6.D4	-0.03	+0.19	7
								-	EURO CS			enavy).	400 g 400		·	~ ^^ _ <u>}</u>	
									Bayer L-6k	08/04	9.500		119,3873	5.89	-0.06	+0.19	
IS INTERI	ST I	ZATE	•						Toronto	05/04	6.500	AA+	114.1478	5.80	-0.08	+0.20	+4
			- -						Bell Cenada		10.625	A+	107.8116	5.34	-0.02	+0.44	+
alest		_		Treasury 82	_			_	Deutsche B FRN	08/02	5.875		101.4242	5.53	-0.10	+0.18	
done sale	61.	One I	Menth Month			1 7537 10 7827		_ 5.61 _ 5.84	E EURO YEN		. c	6.3.3	3 B. F.	,			.,
roker loga rate	<u>- </u>	Three	mont.	5.5	ß. Reg	705		5.89	World Bank	03/02	5.250		117.5500	1.04	-0.01	-0.05	+
ed. Rancis	_ 54			5.4 5.5		1001		5.92 6.10	Spain Cred Fonder	03/02 08/02	5.750		119.4500	1.06	-0.01	-0.07	*
10.10°CS M, 1100°TS		- One			a 30-			Ø.10	Italy FRN	07/98	4.750 0.594	A A	114.4209 100.3759	1.52	-0.02 -0.03	-0.03	4
													1002198	0.20	-0.03	-0.02	_ ~
									London closing.			. • .	Sou	ce: inte	ractive D	ريا الا FT العلق	om
									Standard & Poor's r	wings. Yie	OR TOCK	I JUNEAU CONT	Standard/A	وطعيره	J bosks.		
		_															
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TSE Act	uari	ios (Court	Caca	مأتهات	_										Ind	

-		ìovt, S		ties										K Inc	
rice indices K Gitts	Mon Dec 8	Change 9	Fri 6 <u>D</u> ec 5	Accrued Interest	xctectj. ytd		-Low Dec 8	Coupon Dec 5	yield Yr. ago	- Meditur Dec 8	n coupe Dec 5	ns yield · Yr. ago	- High Dec 8	COUPON Dec 5	
Up to 5 years (19)	118.99	0.09	118.89	1.78	10,39	5 yrs	6.67	6.68	7.22	6.76	6.80	7.29	6.80	8.83	7.33
5-15 years (20)	155.65	0.34	155.12	1.71	11.88	15 yes	6.46	6.56	7.74	6.46	6.52	7.71	6.54	6.60	7.88
Over 15 years (4) tredeemables (4)	188.45 229.96	0.69 1.03	187.15 227.63	1.09 1.50	14.12 14.48	20 yrs	8.46	6.55	7.82	6.43	6.49	7.74	6.53	6.60	7.70
All stocks (47)	149.71	0.32	149.23	1,69	11.88	irred_†	6.53	6.60	7.90						
dex-linked								fistion :			— Jad	hellon 1	0%		
Up to 5 years (2)	211.58	0.07	211.43	 -	6.09	11- 4- 6	Dec 8		5 Yr.a				Yr. age		
Over 5 years (10)	215.59	0.27	215.00	1.14 1.53	5.76	Up to 5 yr Over 5 yrs					2.48				
All stocks (12)	214.09	0.26	213,54	1.49	5.78	Old 5 hs	3.10	3,12	3.5		2.90	292	3.36		
gyt Secs. AUG 100	est Indic	es 5 Dec 4 [Dec 3 Dec	2 Yrago /	Sgh' Lo	**		0	== 8 D	c 5 Dec	4 Dec	3 Dec			LOW/
FTSE International Ltd. Implication: 133,87 (21/01	1997. All rig 1/8-9, law 50	hts reserved. 53 (03/01/75).	* for 1997. 1 Basis 100: 0	Government Se Sovernment Sec	Curities hy	in since comp	digitor: 127	7.40 (D9/0	1/35), 10:	49.18 (03	/01/75). F	or 132,3 But inten	U 117,05 est high a	133.54 nce	115.3
UK GILTS PE									ooting s	COS TEDES	BU 1974.				
	- Yeti-		_ EZ week _			_ Yeld _			_						
Notes		Price £ + or -	سما خوان		Motes		14 2 4 dF -	\$2 pt	TOPE		Notes	Yida	(2) Price £	+0-	.52 wate Nga l
무성" (Lhes up to Fire Yea 125 주 ₈ 0: 1998);;		***		Tress 10pc 2003.			115]] +	1174	1113 E	اعتلاله	5 b)				
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28 7 Lunc 199811	725 7.31	10051 100	ing ing	Tesas 10pc 2004. Fording 31-ac 19			11633 +3	1194		20c 101	(71.1)	1.18 3	L47 193 <u>1</u>	+8 1	83 <u>11</u> 18
98 15 200 98## 1	4.58 7.32			Corr 91-sec 2004		8.22 6.85 T	884 +4 1514 +4	9013 118 <u>3</u>	8215 2 10925 4	400 O44t	(78.B) (135.B)	315 1 310 1	1.35 190)) 1.37 123 ¹ 2	+4-1	N A 10
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1989 Page 1989 L		100% +7	100를 100월	COM 91200 2005 Each 101200 2005		8.16 6.57 1 8.53 6.65 1	118]] +] 1234 ₃ +]			20C TO	(7EG)	3.09	1.19 1862	-1	17 IN
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255 10 ¹ 20c 19 29 [0.0 4 7.16		noz. tosta	Town DI Good			77% J	. 1304		-re 519				72	
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mat Opc 1999 #	6.10 7,02	964 +4 1650 +4	99,1 96 <u>13</u> 1894 105 <u>1</u> 3	Cote 93esc 2016 Tress 73 ₂ pc 2006 Tress 8pc 2002-6 Tress 8pc 2002-6 Tress 83 ₂ pc 2007 Tress 83 ₂ pc 2007	# # # # 9-7	7.60 8.56 8.03 8.57 7.04 6.54 7.19 6.57 7.65 6.84 9.70 8.78 7.47 6.55	1113 +1 1214 +1 1052 +1 1054 +1 1054 +1 1214 +1	1144 12313 10812 110,6 1063 12331	1043) 2 113]] 2 98Å 2 98Å 4 100]] Pro	200 76 200 20 200 74# 200 30# 200 20% re	(67.6) (67.7) (135.1) el redemp 80) Flourn	3.08 3 3.07 3 3.08 3 3.06 3 3.07 3	1.16 16121 1.15 1743 ₁ 1.15 1693 ₁ 1.14 1422 1.13 139 <u>11</u> on projecte	수 1 수 1 수 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	752 15 1891 14 122 12 140 11 10f (1) 5
mat Opc 1999 #	6.10 7,02	105 <u>9</u> . + ₂₃ . '	1894, 10543	Code 93/spc 2008 Trans 73/spc 2008 Trans 73/spc 2008 Trans 800 2002-4 Trans 83/spc 2007 Trans 83/spc 2007 Trans 73/spc 2007 Trans 73/spc 2007 Trans 73/spc 2007	# # # 3-7 # #	780 8.56 883 8.57 7.04 6.54 7.19 8.57 7.65 8.84 9.70 8.78 7.47 6.55 1 8.88 6.47 1		1144 1233 1083 1083 1104 1063 1233 1164	1043) 2 1131) 2 964 2 998 4 1100) Pro 1154 ent 965 ent	200 76	(\$7.6) (\$7.7) (\$7.7) (\$5.1) el redecing (\$) Figure months p	3.08 3 3.07 3 3.08 3 3.07 3 stion rate (is in pan rior to less	16 16171 1:15 1743 ₀ 1:15 1693 ₀ 1:14 1427 1:13 139 <u>16</u> on projects sufficient in	+ 12 1 + 15 1 + 15 1 + 15 st inflation show RP Ne been (75 15 1913 14 123 12 140 11 10 (1) 5 1539 15
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ma (bp. 1990 ; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ; ;	9.70 7.02 9.70 7.09 9.27 7.02 9.25 7.02	105 <u>9</u> . + ₂₃ . '	1894, 10543	Code 93/spc 2008 Trans 73/spc 2008 Trans 73/spc 2008 Trans 800 2002-4 Trans 83/spc 2007 Trans 83/spc 2007 Trans 73/spc 2007 Trans 73/spc 2007 Trans 73/spc 2007	# # # 3-7 # #	7.80 8.56 8.03 6.57 7.04 6.54 7.19 8.57 7.55 8.34 8.78 7.47 6.55 18.00 6.87 18.00 6.87 18.00 6.84 7.11 6.46 7.11 6.46	11111	1144 1233 1082 1084 1084 1233 1164 1074 1351	1043) 2 1131) 2 964 2 998 4 1100) Pro 1154 ent 965 ent	2017-76 2017-2017-2017-2017-2017-2017-2017-2017-	(\$7.6) (\$7.7) (\$7.7) (\$5.1) el redecing (\$) Figure months p	3.08 3 3.07 3 3.08 3 3.07 3 stion rate (is in pan rior to less	16 16171 1:15 1743 ₀ 1:15 1693 ₀ 1:14 1427 1:13 139 <u>16</u> on projects sufficient in	+ 12 1 + 15 1 + 15 1 + 15 st inflation show RP Ne been (75 15 1913 14 123 12 140 11 10 (1) 5 1539 15
ma (pc 1999 ;;	8.10 7,00 8.70 7,00 8.57 7,00 8.65 7,00 11.42 7,00	1059 +3 1 1081 +3 1 104 +3 1 1131 +3 1	1894 10543 1043 10213 1084 1032 11914 1135	Cote 93-pc 2008 Trans 71-pc 2006 Trans 74-pc 2002-6 Trans 81-pc 2002-6 Trans 113-pc 2007 Trans 71-pc 2007 Trans 71-pc 2007 Trans 9c 2007 Trans 9c 2009 Trans 8c 2009 Trans 84-pc 2019	#	7.00 8.56 8.03 8.57 7.19 6.54 7.19 8.57 7.05 8.84 9.70 8.78 7.47 6.53 18.09 6.80 18.09 6.80 7.52 6.43 7.11 6.46 8.49	11111	1144 1233 1082 1084 1084 1233 1164 1074 1351	1042) 2 1131) 2 963, 2 998 4 1100)] Pro 1154, end 965, ind 1371, end 1082) 156 1083	2017-76 2017-2017-2017-2017-2017-2017-2017-2017-	(\$7.6) (\$7.7) (\$7.7) (\$5.1) el redecing (\$) Figure months p	3.08 3 3.07 3 3.08 3 3.07 3 stion rate (is in pan rior to less	16 16171 1:15 1743 ₀ 1:15 1693 ₀ 1:14 1427 1:13 139 <u>16</u> on projects sufficient in	+ 12 1 + 15 1 + 15 1 + 15 st inflation show RP Ne been (75 15 1913 14 123 12 140 11 10 (1) 5 1539 15
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Ukraine set to privatise grain sector |Sharp fall in

By Charles Clover in Kiev

Ukraine is on track to privatise Ukraine, is supposed to be broken grain storage and distribution by up. In the first wave of privatisathe end of the year, according to tions, 100 of the 550 odd enterprises the chairman of the conglomerate are due to be sold. that controls the system.

of Europe, Ukraine last year produced 36m tons of grain, and could produce far more then that. One hundred grain storage and processing enterprises are due to be sold the first step in reforming the the privatisations will begin soon, distribution of Ukrainian grain is would remain with Khlib tries. In practice, however, this has country's grain industry.

of Ukraine - the state-owned con- poor shape that the sell-off pro- tor. The government believes and foreign investors will not be cartely.

glomerate that controls storage and distribution of grain in of staying solvent.

None of the units have yet been observers believe the target date is optimistic. No preparations have passing a law.

Girgory Omelyanenko, chairman of Khlib Ukrajyny, insisted that the planned privatisations would take place before the new year. And he said that by December 1998, Once known as the bread-basket put on the market, and many some 343 additional enterprises would then be sold for each to both would be sold.

stakes in the enterprises will be cent and 20 per cent would stay if only because the finances of the currently very expensive, due to Ukrajyny. Khlib Ukrajyny - literally Bread Ukrainian government are in such the monopolistic power of the sec-

Asia crisis sparks paper fears Japan planning

streamline agriculture and stimu- the past, when agricultural induslate production.

tised Khlib Ukrajyny enterprises ers of the enterprises.

overseas forest plantations

year to 550,000 hectares by

the end of 2010, the head of

the country's largest pro-

Masahiko Ohkuni, presi-

supply of wood fibre from

natural forests could be

waste paper, with Japan

already a bigger user than

Europe and the US. The Jap-

get for waste paper use of 56

However, Mr Ohkuni said

anese industry has set a tar-

per cent in 2000, up from

it was also essential to mix

He said greater use of

waste paper was "extremely

important" in securing the

raw materials needed to

meet increasing demand for

Japanese demand for

paper and paperboard was still expected to grow

steadily and demand from

China and south-east Asia

would increase as those

economies developed.

in virgin fibre to a deterio-

ration in paper quality.

53.6 per cent now.

dent of Oji Paper, said the attention.

ducer told the conference.

gramme has become its one hope granting farmers control over given a fair chance to acquire of staying solvent.

downstream activities will help shares in the agricultural sector. In tries have been privatised, their Mr Omelyanenko said that up to shares have wound up in the hands one-third of the shares in priva- of regional authorities and manag-

They also point out that the currould be sold.

domestic and foreign investors to rent agricultural privatisation law
The law on agricultural privatisation law which been made to sell them other than sation states that 51 per cent remaining stake of between 15 per also allowed for farmers and foreign investors to acquire stakes in However, there is optimism that granted to farmers. Storage and with employees and 100 enterprises the storage and distribution indus-Ukrajyny. not happened in Russia, and the Some observers fear that farmers industries remain controlled by

hardwood, from roundwood

to woodchips and from

domestic pulpwood to

imported pulpwood, he said.

tal concerns, Mr Ohkuni

said the industry could be

"sustainable" throughout

the 21st century. He said environmental concerns were the focus of worldwide

In the face of environmen-

three-month tin prices

MARKETS REPORT

By Kenneth Gooding and Robert Corzine

Three-month tin fell 1.6 per cent, or \$90 a tonne, from oil markets has shifted to Friday's level to close at concerns about a potentially \$5,550 on the London Metal glutted market." Exchange. Nevertheless, the squeeze in the market will remain robust, with con-remained and the premium sumption rising by 1.8m barfor immediate delivery, com- rels a day next year to 75.6m was \$165 a tonne.

tumble was caused by speculators taking profits when trading volumes were thin, while trade buying appeared when the price reached \$5,540 to \$5,560 a tonne.

Nickel bucked the trend in the rest of the base metals markets by closing up \$5 at \$6,040 a tonne after the three-month price dropped below \$6,000 in early trading. by about \$700 a tonne in the

"If you can manage the past year and Robin Bhar, analyst at Brandeis (Brototal system well and corkers), the Pechiney subsidrectly, you can not only iary, told a conference in maintain these resources by preserving their biological Kalgoorlie, Western Australia, he now expected a supvariety, but also make a sigply surplus of 14,000 tonnes nificant contribution to the this year, instead of a 4,000 giobal environmental issues tonnes deficit, followed by a which mankind is now 10,000 tonnes surplus next addressing through forest plantation programmes." year as economic growth in Asia slowed and demand for

covered their positions.

outstripping demand.

JOTTER PAD

Oji plans to increase its own overseas plantations stainless steel, the main user from 51,000 to 200,000 hectof nickel, dropped. Gold started the day in ares by 2010. The company already has London slightly higher but weakened in the afternoon

plantations in Papua New Guinea, New Zealand, Ausunder pressure from a strontralia and Vietnam. Current species being used London down 20 cents at are fast-growing eucalyptus \$288.20 an ounce. Traders

and acacia hardwoods, and radiata pine in softwood. The hardwoods can be harvested in seven to 10 years. Japanese forestry research ers are using genetic engineering to develop even faster-growing species of

In its latest monthly report the IEA, which monitors world energy markets on behalf of the mainly western industrialised countries. said: "The tone of the world

The IEA believes demand b/d. That, however, is less than the 2.1m b/d rise esti-Dealers suggested tin's mated for this year.

But the IEA's most contentious conclusion is likely to be its assessment of production in countries outside the Organisation of Petroleum

The IEA has pencilled in a rise for non-Opec next year of 1.9m b/d, a much higher figure than that calculated by many industry analysts. The agency expects an extra 600,000 b/d from Europe, 500,000 b/d from Latin America and 300,000 b/d from the former Soviet Union.

If the IEA assessment is correct, then there will be little room for Opec - which last month raised its production ceiling by 10 per cent to boost output.

One of the main arguments used by Saudi Arabia ing at Opec's recent meeting in Jakarta was that non-Opec output was likely to remain constrained next

Publication of the IEA report helped damp oil ger US dollar. It closed in futures markets. In London, delivery was quoted at about suggested there might be a \$18.25 a barrel in late trading rally towards the year-end as on the International Petrothose who had sold short leum Exchange, 12 cents higher than Friday's close.

The International Energy On the New York Mercan-Agency yesterday warned of tile Exchange, the contract a potential oil glut next for January light at midday year, with world production was trading flat at \$18.71 a

By Alison Maitland The financial turbulence in south-east Asia is raising serious questions about future demand for paper in the region and the possible diversion of paper to the world market, the industry was warned yesterday. The economic crisis was the last thing the pulp and paper industry needed in the midst of volatile prices and a struggle for profitability. David Clark, former managing director of the Confederation of European Paper Industries, told a London "As it faces the multiple challenge of volatility, profitability, external credibility, globalisation and new players, the last thing the indus-

"Instead it has been Pick-up: markets turmoil raises worries about demand

GOLD COMEX (100 Yray oz.; \$/tray oz.)

290,0 -0.5 291,5 299,4 22,477 113,1% 291,8 -0.5 293,0 291,4 3,047 11,874

283.9 -0.5 284.5 286.1 19 4.599 28,793 198,184

376.7 -4.3 380.9 376.0 872 10,806 373.2 -4.3 377.0 373.0 275 2,870 370.2 -4.3 374.0 373.0 8 119 1,106 13,795

PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 209.50 -0.15 211.00 207.75 87 349

SILVER COMEX (5,000 Troy UZ.: Certs/troy 02.)

M CRUDE OIL NYMEX (1,000 barrels, \$/barrel)

price change lines
1890 +0.19 1907 1876 44,873 196.7k
1912 +0.14 1923 1905 23.365 56,876
1920 +0.16 1933 1925 8,417 34,659
1940 +0.16 1941 19.35 4,118 22,049
1944 +0.11 1948 1944 2,592 22,298
1950 +0.13 19.60 19.45 3,402 33,854
40,841 435,278

1825 +0.09 1831 1822 1,944 22,855 1825 +0.08 1832 1822 1,353 13,811 1822 +0.05 1824 18.22 55 10,397 18.21 +0.05 1829 1819 1,073 16,008

5380 +042 54.20 53.50 14.664 55.189 5440 +0.44 54.50 54.11 5600 28.934 5425 +0.34 54.50 54.10 1.550 16.47 51.50 +0.23 51.80 53.45 1.134 6.47 52.50 +0.24 53.00 52.95 728 6.250

52.65 +0.44 52.65 52.60 1,444 6,714 25,865 140,338

Setz Day's Open price classific High Law Vol Let

165.25 40.50 166.25 165.25 6.318 12.702 166.50 40.25 168.62 165.25 4.967 27.055 166.60 166.25 4.967 27.055 166.00 166.25 1.0503 15.726 166.00 40.75 166.75 166.50 166.25 53 4.586 164.75 40.75 165.50 165.25 53 4.586 164.75 40.75 165.50 165.25 58 2.795

MATURAL GAS PE (1.00) Beins perce per berno

M NATURAL GAS MMEX (10.000 mmBbs: S'mmBbs)

III UNILEADED GASOLINE MMAEX (42,000 US gails.; c/US gails.)

17.290 -0.330 17.350 17.100 1,030 2,665 17.600 -0 480 17 600 17.500 200 3 100 2,115 12,686

Latest Day's Open prion change Figh Lew Vol lot 2415 -0.038 2.450 2.360 25.747 43,429

2365 -0.037 2386 2325 8,629 27,941 2,325 -0.007 2,310 2,255 2,823 20,617 2205 -0.019 2,210 2,170 651 9,531 2,195 +0.013 2,210 2,160 763 8,715 2,195 +0.013 2,210 2,160 763 8,715

57:35 +0.44 57:50 57:25 7.409 17:062 57:60 +0.29 57:75 57:55 2.286 11:363 60:30 +0:39 60:30 60:30 4,070 8,839 59:90 +0:19 - 1,084 8,814

59.70 +0.49 59.70 59.65 618 5,408 31,136 98,181

12,735 99,663

Dec Mar Total

ENERGY

533.5 -3.0 538.5 532.0 338 1,147 535.3 -3.1 - - 4 36 539.5 -3.3 546.0 536.5 17,868 65,778 541.0 -3.6 546.0 538.5 961 6,283

293.9 -0.5 294.9 293.4 2.285 11,518 Sup 296.0 -0.5 296.5 296.1 19 4.599 Total

large quarterly variations in Another feature was the upsurge in mergers and takeovers and the emphasis

announced but few have regional concentration, he said. Of the leading 12 paper companies in Europe in 1981, of new capacity has been a persistent thorn in the side forest expansion of the industry.

Mr Clark said global print- By Alison Maitland

ing and writing paper capac-90m tonnes to 102m tonnes over the next two to three years, with the greatest from 93,000 hectares last build-up in Europe and

In spite of an increase in consumption of most grades of paper, the industry had so far failed to achieve stable operating rates, he said.

"Even more serious has been the industry's inability partly substituted with to return a satisfactory profit to shareholders, who have become more sophisticated, more global and more demanding," he said. Magnus Diesen, senior

vice-president for corporate planning at Enso, the Finnish group, said managements were taking shareholder value more seriously.

The consequence of this will be less new capacity and increased merger and acquisition activity, which will lead to a more consolidated and thus better structured industry worldwide," he

A parallel change in the industry was the emergence of global leaders such as International Paper of the US and UPM-Kymmene, Europe's largest forestry group, which he said would

	AT AND LIV	 	-
Dac	Sett Day's Price change High 66.900 -0.525 67.225	Vei	Oper tot

(9971.34) FINTE	J	-Apt	J861	Apr	
1550	32	67	21	41	
1575	20	54	34	53	
1600	12	48	51	66	
■ COPPER					
(Grade A) LME	Jan	Apr	Jan	Apr	
1750	65	111	25	49	
1600	38	83	49	71	
1850	20	61	80	87	
■ .COFPEE LIFTE	Jan	Mar	Jan	Mer	
1760	34	96	36	165	
1800	17	73	69	203	
1850	8	57	111	244	
E COCOA LIFFE	Mar	May	Mar	May	
1025	65	94	22	33	
1050	50	79	32	43	
1075	39	65	46	54	
■ SRENT CRUDE					
PE	Jan	Feb	Jen.	Feb	
1800	-	-	11	41	
1850	15	45	38	-	
1900	•	20			

LONDON SPOT MARKETS

CRUDE OIL FOB	per barrel)	+or-
Dubei Brent Bland (dated) Brent Bland (Jan) W.T.L	\$17.18-7.20 \$17.77-7.80 \$18.22-8.25	-0.06 -0.11 -0.01
OL PRODUCTS N	\$18.81-8.83w WEprompt delivery (-0.02 XF (00198
Premium Gasoline Ges Oil	\$190-192 \$168-170	+3
Heavy Fuel Oit Naphtha Jet tuel	\$90-92 \$179-180	+1
Diesel NATURAL GAS (P.	\$188-189 \$180-182	+1

VIREK		
Sold (per troy cz) Silver (per troy cz) Patinum (per troy cz.) Patladium (per troy cz.)	\$287.85 543.00c \$380.50 \$208.00	-0.20 +12.00 -3.00 +1.00
esq (ng bloq1) gobbel	85.0c 45.00c	-4.0
fin (Kusia Lumpur) fin (New York)	20.60r 271,5	+0.47 -2.0
intile (live weight) heep (live weight)	93.91p 98.10p	+6.44* -2.72*
igs (itve welghig) on, day sugar (raw) on, day sugar (wha)	60.38 p \$297,80 \$301,70	-2.13* +1.30
Berley (Eng. feed) Asize (US No3 Yellow)	Unq £109.00	+1.00
Vheat (LIS Dark North) iubber (Dec i ♥	Unq 54,50p	
Rubber (Jan)¶ Rubber (KL RSS No1)	54.50p 270.0z	-1.0
Coconut Oil (Philis) Paim Oil (Mahay.)	590.0y 517.5	-25.0 -27,5

This rep could give it (7)

14 Swallowed up, being defeated without the leader

to postpone (5)
22 Tangible form of lattice (7)

3 Delete the periods on English (5) 4 Innominate state (9) 5 Get rid of depression (5) 6 One should get in if one's this (9) 13 Description of trousers? 7 Unsuitable paint being

applied (5)
8 Moving near the capital (7)
9 One thousand books includtake in! (6)

ing one bit of Euclid to playing (9)

19 Representation of a narrow beam in the gate (9)

15 The tiower or young (2)

17 Cut up embellished tree could be (9)

18 Conclusion of fine centre

having lost time in rebuild-25 Officer in the blue, but could be red or white (7) system? (7) could be red or white (7)
27 Object about the face being
21 Yield to compassion about

pictured (9) time for fasting (6)
28 Standard weapon by the 23 Relating to a city both up and down (5)

Solution to Saturday's prize puzzle on Saturday December 20. Solution to yesterday's prize puzzle on Monday December 22.

inventories and operating rates due to speculation about future price changes." "Many price have been COMMODITIES PRICES

try needs is a period of

financial turbulence and eco-

nomic slowdown," he told

the Financial Times World

Pulp and Paper Conference.

Mr Clark said that 1997

was meant to be a year of

solid but realistic recovery

after the boom of 1995 and

the bust of 1996, which

brought plummeting prices

another volatile year with

and high inventories.

increases

BASE METALS LONDON METAL EXCHANGE (Prices from Amajoamated Metal Trading) ALUMNOUM, 99,7 PURITY (\$ per tonne) 1548.5-49.5 1568.5-69 1554.5-55.5 1577-78

TOTAL CEMY INTERIOR	34,700	
ALUMINIUM AL	LOY (S per to	onne)
Close	1417-22	1437-40
Previous	1420-30	1440-45
High-low		1440/1425
AM Official	1407-12	1430-32
Kerb close		1435-40
Open int.	5,916	
Total daily turnover	1,623	
E LEAD (\$ per ton	ne)	
Close	514.5-5.5	532-2.5
Previous	525.5-6.5	542-43
Hagh/low		534/528
AM Official	509-10	526-27
Kerb close		534-5
Open int	32,488	
Total daily surnover	9,914	
M NICKEL (5 per to	onnei	
Clase	5935-45	6030-35
Previous	5965-75	6050-60
High:low		6040/5970
AM Official	5900-10	5995-6000
Korts clase		6040-50
Open int	61,184	
Total daily turnouse	17,351	
TIN IS per torme	<u> </u>	
Close	5730-4D	5570-75
Previous	5810-20	5650-80
High low		5640/5540

AM Officia 5790-95 Kerb close Open int Total daily turn III ZINC, apecial high grade (5 per torme) 1117-18 Previous High low 1135-36 1125/1118 1091-92 1118-18.5

Apr 18.25 +0.08 18.26 18.22 1.253 13.811

May 18.22 +0.05 18.24 18.22 55 10.397

Dec 18.21 +0.05 18.29 18.19 1.078 16.008

Dec 18.21 +0.05 18.29 18.19 1.078 16.008

Dec 18.21 +0.05 18.29 18.19 1.078 16.008

M HEATING CH. NYMEX #2.000 US gails: cUS gails.)

Letter (397% Charles High Low Vol Act Total 27,807 Total daily tumover B COPPER, grade A (5 per tonn 1766-89 162,269 43,566

M LIME AM Official E/S rate: 1,6522

III HIGH GRADE COPPER (COMEX) 80.85 +1.25 81.40 79.60 1,441 2.071 81.50 +1.30 81.50 80.55 460 2,792 82.15 +1.35 82.20 81.75 39 1,787 82.55 +1.35 82.95 80.80 5,038 32,836 83 05 +1 35 83 05 82 60 27 1,450 83 40 +1 30 83 50 82 50 233 4,719

7,911 64,733

I LONDON BULLION MARKET Gold(Troy o.) 5 price E equiv SFr equiv 287.60-268.10 288.20-288.60 269.10 174.11 417.37 287.50 174.24 416.44 288.90-289.30 287, 10-287, 50

....4.16 12 months4.16 Sëver Fix 544,70 545,75 548,50 330.80 332.85 337.10 £ equiv. 175-177

Gold Colns

only two remained. Combined with the boom on global rather than just and bust cycle, the build-up

improve stability.

Precious Metals continued GRAINS AND OIL SEEDS BY WHEAT LIFFE (100 tonnes; E per tonne) 287.9 -0.5 288.6 287.5 263 978 Jan 288.7 -0.5 - 2 8 Mar 289.0 -0.5 291.5 289.4 22,477 113.1% May 289.0 289.4 3,047 11,874 Jul 82.00 +0.10 82.15 81.89 84 1,045 84.00 - 84.30 83.80 95 2,932 86.00 - 88.10 85.75 32 3,885 88.00 - - - 413

MAIZE CET (5,000 bu min; cents/56tb bushet)

B SARLEY LIFFE (100 tonnes; £ per torme)

M SCYABEANS (ST 6,000b) mir, controlls busing

E SOYABEAN OIL CET (60,000 Bs: cents/b)

28 POTATOES LIFFE (20 tonnes; Σ per tonne)

1220 +20 1320 +20 566

Gese Prav 1211 1200

7/3.25 +4.25 273.50 289.00 9,788 21,216 284.00 +4.75 284.25 279.00 93,933 185,453 281.00 +4.50 281.25 280.00 4,022 44,274 284.50 +4.00 285.00 281.00 3,921 54,838 287.50 +2.00 288.25 285.50 93 5,294 288.00 +2.50 288.25 285.50 1,416 31,786

75.25 -0.25 75.50 75.25 121 454 77.95 -0.25 78.00 77.95 110 1,347 79.20 -0.25 - - 20 80.50 - - 6 82.50 - - 55

710.00 +6.75 711.50 703.50 38.996 68,552 713.00 +6.50 714.50 706.75 11,381 30,725 718.00 +7.75 718.00 712.00 3,338 21,503 720.25 +8.25 771.00 714.50 3,320 22,986 716.00 +8.00 716.00 712.00 522 2,344 695.00 +9.00 695.00 693.00 13 184

24.55 -0.13 24.80 24.44 4.225 1.571 24.75 -0.17 25.08 24.55 11.408 44.472 25.16 -0.14 25.40 25.04 5.509 32.974 25.44 -0.13 25.55 25.25 1.273 13.877 25.58 -0.10 25.58 25.45 532 11.648 25.52 -0.08 25.50 25.45 669 2.596 22.513 111.633

To cope with this, Japan had been systematically shifting from softwood to Sep Dec Total WHEAT CST (5,000bu min; cents/60b busine) Dec: 346.75 +2.75 347.50 345.50 2,379 1,576
Ray 362.50 +2.00 363.50 385.50 14,195 55.547
Ray 369.25 +2.00 371.00 368.00 1,057 11,222
Jul 374.25 +2.75 374.50 371.50 1,600 18,539
Sep 378.50 +3.50 378.50 377.50 80 419
Dec: 389.00 +4.50 389.00 386.00 502 3,385
Total 18,813 99,841

1121 +16 1125 1115 344 19,039 1136 +14 1136 1128 332 23,126 7,532 180,091

E COFFEE LIFFE (5 tonnes, \$/torne)

COFFEE (ICO) (US cents/pound)

67.07 +0.21 68.00 66.50 170 175 68.47 -0.36 69.00 68.37 4,338 43,425

+20 1120 1100 27 1,049 +20 - - 22 +20 - - 3 S FREIGHT (EXFFEX) LIFFE (\$10/index point) Total 1255 +5 1255 1255 1290 +5 1296 1290 1285 -5 1300 1300 III ORANGE JUIGE NYCE (15,000lbs; cards/lbs) 12 285 1360 +10 1360 1350 32 425 1210 - - 129 62 1613 2,725 45,280 PULP AND PAPER

501.00 -4.02 505.00 501.00 10 141 520.00 -2.00 521.50 520.00 20 423 80 743

FUTURES DATA All futures data supplied by CMS.

E PULPEX OMILX (USS; 24 air dry tons)

Tea from The Tea Brokers' Association There was good demand for tea. Landed: Coloury better liquoring Assams ruled firm to desirer, but poorer types lost ground, East Africans sold well at around last tev-East Africans sold well at around last tev-els, while Ceylons were a strong feature at substrantially dearer rates. Offshore: Boghter Zinkhabwe teas appreciated while coloury types were about steady. Quota-tions for this sale: Landact best available 165p; good 165p; good medium 158p; medium 147p; low medium NO. The high-est price realised this week was 158p for a Burundi PF.1.

III COCOA CSCE (10 tonnes; \$/tonnes) 1602 +21 1603 1590 54 137 1629 +27 1630 1612 5,783 49,091 1653 +27 1656 1638 288 18,787 1675 +27 1675 1684 34 4,701 1694 +27 1690 1882 4 5,656 1721 +33 1704 1703 28 9,148 6,191 98,775 E COCOA (ICCO) (SDR's/tonne) Dec 5 Daily

1748 -18 1775 1746 1,300 15,080 1742 -13 1760 1735 1,083 21,409 1772 -8 1735 1720 400 5,783 1714 -8 1725 1710 80 1,277 1714 -8 1715 1710 28 568 1719 -6 - 30 COFFEE 'C' CSCE (37,500lbs; cents/lbs)

178.00 -0.95 180.00 173.00 179 802 174.35 +0.85 174.90 189.50 6.984 16.879 168.25 +1.30 166.50 182.75 768 5.247 157.75 +1.20 157.00 155.50 218 2.829

WHITE SUGAR LIFFE (50 tonnes; S/tonne) 309.9 -1.4 310.7 309.7 554 21,890 315.2 -1.4 315.7 315.0 355 6,052 316.6 -1.5 317.0 316.5 50 4,529 310.3 -1.6 - - 3,717 311.3 +0.2 - - 142 593 36,516 Tetal
S. SCYABEAN MEAL CST (100 tone: \$/ton)

Tetal
SUGAR "11" CSCE (112,000lbs; cents/fbs) ## SUG 1235 -0.09 1248 1235 7,895 114.7k 1225 -0.08 1235 1225 1,318 31.846 11.87 -0.08 11.95 11.97 1,717 27,352 11.68 -0.06 11.73 11.96 912 24,537 11.50 -0.05 11.57 11.54 78 6,550 11.45 -0.05 - 12 940 11,807,206,804 E COTTON NYCE (50,000lbs; cents/lbs)

73.85 -0.20 74.05 73.80 629 11,106 6,966 88,186 79.75 -0.75 80.50 78.60 1,627 21,814 82.90 -0.60 86.00 85.00 1.00 1.520 82.20 -0.60 86.75 85.10 62 3.476 82.20 -0.60 88.00 89.00 21 1.922 91.70 -0.50 91.00 91.00 - 938 92.90 -1.05 - 7 1.186

VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES Rectors (Base: 18/9/31 = 100)

Dec 8 Dec 5 month ago year ago 1792-3 1789,8 1815.6 1846.6 II CRB Patures (Base: 1967 = 100) Dec 5 Dec 4 month ago 185.73 185.01 204.09

70.750 +0.125 70.775 70.350 499 72.875 +0.275 72.800 72.850 14

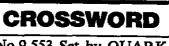
E PORK BELLES CME (40,000bs; cents/bs) Feb 55.450 -2.850 58.100 55.300 1,004 May 58.100 -2.855 58.900 58.000 157 May 58.100 -2.805 58.900 58.000 174 Jul 55.900 -2.450 58.575 55.350 71 Aug 52.250 -2.400 54.500 52.250 3 1,409

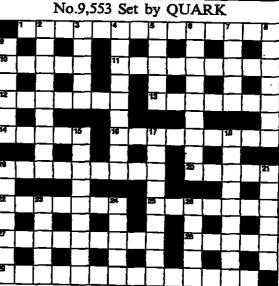
LONDON TRADED OPTIONS

17.20-17.30 -0.38

\$400.0 Soyabeans (US) Cotton Outlook'A' index 74,95c 390p © për konne unjuar orbanetar asserd, p pencerte, c cantalis, r mogalite, m. Mallayeun conjunte, y jamifeth, er Jan Plannico Physical. § CIF Rotardian. & Bullion marter place. "Ones on west, ritased en nita head of piga acid.

هكذا من الاعلى





1 Play recalled from the balcony? (5,3,6)

2 Artist once part of a certain school (3,6) 10 Assistant returns to the 11 He can handle the hard 12 Any line set out in a silly Way (7)

16 inflame miss with piano

sound of it (5) 29 Game birds (5,3,6)

24 Nigel works in northern city (5)

26 A short time before church,

Offshore Funds

97254 7174 -0.706 97354 3556 -0.378

ales & Coloniai I

Lazard Food Ad

___ SR9.41 9.89

Suring Microy Fund 710,7922 US Dollar Mayory Fund 510,6238 Lloyds Private Basiking 6Ch Ltd

(FSA RECOGNISED)

+011

ohai Fasis Lisi (1200) ahai Fasis Lisi (1200) ahai Fasis Lisi (1200)

pars (johl)

Rarctays led Funds.

Asian Selection Reads.

ASIAN Selection Reads.

ASIAN Selection Reads.

ASIAN Selection Reads.



MEMBERS IS A TOPY FINANCIAL TIMES TUESDAY DECEMBER 9 1997 FT MANAGED FUNDS SERVICE le over the telephone. Call the FT Cityline Help Desk on (+44 171) 573 4378 for more details. Salling Regular + ar Yahi Palan Palan - Brass AND OVERSEAS Yeki Korea Fund (FSA RECOGNISED) isle of man F1 0358 \$1,048 \$1,048 \$1,048 \$10,045 \$10,077 \$10,945 \$10,977 \$10,987 \$10,987 - 0.000 6.20 - 0.000 5.05 - 0.000 2.05 - 0.000 2.05 - 0.000 1.40 - 0.000 -Ordinary Share Starognole Banik of Ires 跳 端 湯 0771-2525 2000 - Super Depths Labels (F.F.)

3 - 0.027 0.00 - Super Depths Labels (F.F.)

3 - 0.027 0.00 - Super Depths (S.F.)

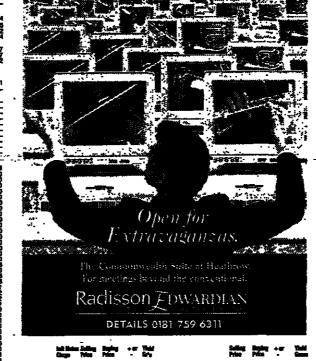
4 + 0.000 0.00 - Super Depths (S.F.)

5 - 0.01 0.00 - Super Depths (S.F.)

6 - 0.01 0.00 - Super Depths (0171 236 7300 BERMUDA **GUERNSEY** 2531 407 2000 REGULATED)(**) vest Reserve Fox 0171 820 8015 Same Life Histogenement (Johl) 13d PO Bor 22, Condisions, but 01624 824135 Secure High Income... 6 17.2001 1.2753 -0.0005 8.57 Wister Excel, Slobul Founde Pic Analyst Han, 20-75 Feel Rd, Douglas Islat 11624 820007 \$47,05 £26,17 pan42,79 \$4198,45 +007 534 +007 721 +007 323 — 139 00 3531 780 240B Loursia Sayter Bond . Lottes Fund Pilc \$12.18 DMT1 59 0112.49 CS11.88 994 E

6.81

+8.01 +8.01 -0.08



Art.

GUERNSEY FSA RECOGNISEDI

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1775a 77 2

TH OFFSHORE

30	*		FINANCIAL TIN	TES TUESDAY DECEMBER 9 1997
Offshore Funds and Insurances	FT	MANAGED FUNDS	SERVICE	
in the billion below the control of			i Beginn von 18af – Salton Befinn von 18af	Salling Bayling +of Yala Salling Styling +of Yala Man Pale - Game Paler Pales - Game
The Price of the second control	The FT City City Holp Dock on (444 171) 673 4276 for 191	ACAI Circhery Runts - Cond. ACAI Circhery Ru	SERVICE Martin Learn Martin Mart	April
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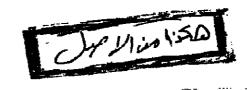
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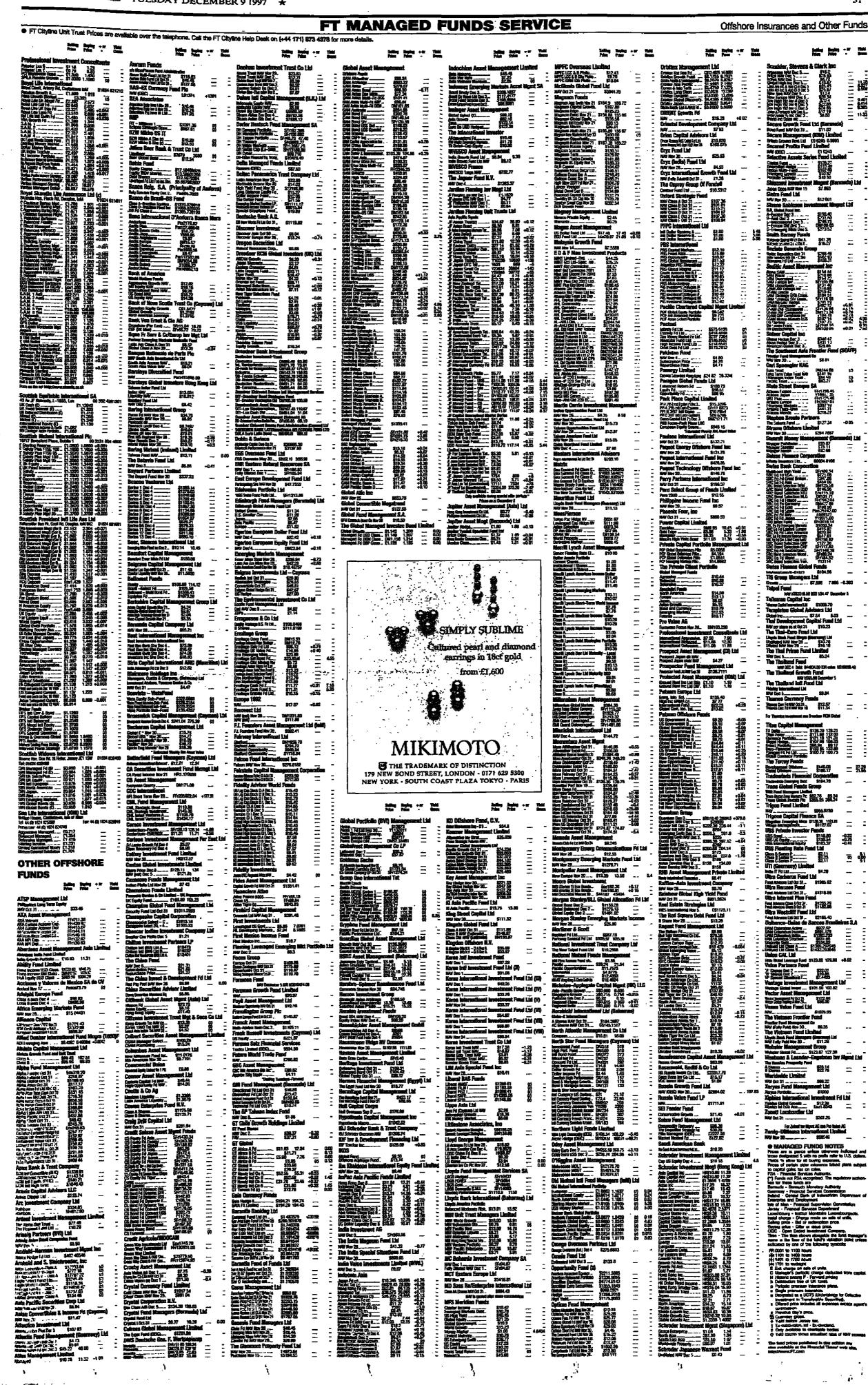
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FINANCIAL TIMES TUESDAY DECEMBER 9 1997 **LONDON SHARE SERVICE** OTHER INVESTMENT TRUST! 的最近,是可以是有一个人,是一个人,我们是 经证的证据。我是是还是形成也不是被关于在这种是正式的是一种,但是一种是这种的的是,是是是这个一种是这种的是是是是是是是是,他们就 以《西南·文法·传》是《古代·文文·传》是《古典·传》的《古代·文文·传》,"是《古代·传》,"是《古代·文文·传》,"是 经制 到 未完全的的非正正正正在上面的制度 大人上的名词 是他们的经验,他们就是他们的,他们就是一种的,他们就是他们的,他们们的,他们们们的,他们们们的,他们们们的,他们们们的,他们们们的,他们们们的,他们们们们们的, 我们们的时候,他们们们的,我们们们们的,我们们们们的,我们们们的一个,我们们们的一个,我们们们的一个,我们们们的一个,我们们们们的一个,我们们们们们的一个,我们 රියයම්ට මිනි යම් [[] වේ යම් [] යම් කි [] යෙයෙක් මිනිව යට යෙක්ට [] යෙක්ට යන්නේ මන්දමට [යුඩ] මම් කි යම්ත් [] 1] [යු මෙම්මේමමේකමේමමේමේම මෙම්මේම නෙසෙමෙම්මමේමම්මමේම මෙමෙමමේමම්මේම මෙම්මේමමෙමමමේමමේම මෙම්මේම්ම මෙම්මේම්ම්මම්මම්ම |||द्राप्तः||द्रेद्धः||||द्रेद्धाः||द्रिद्धाः||द्रिद्धः||||द्रेद्धः||||| PANASS CAST CAST 林春寺 第 和 李雄 To design the state of the stat THE STATE OF THE S CANADIANS HONE THE PROPERTY OF THE PROPE Volume Yal 600s 6rs - 777 169 1.7 - 27 37 28 9 26 - 15 - 15 BOSTON SON SERVICE STREET STREET SON STREET **US Power Industry** Volume 70 '000s Gra - 30 - 6.7 - 25 - 21 - 24 on Tuesday February 3 1998 For further information please contact: GUIDE TO LONDON SHARE SERVICE

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LONDON STOCK EXCHANGE

Footsie regains and then loses 5,200 level

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Only two trading sessions after it surpassed the 5,100 level, the FTSE 100 index took another substantial step forward vesterday. briefly recrossing the 5,200 mark.

There were good gains across the market with the second-liners and small caps making useful progress, although they failed to keep pace with the leaders.

latest surge, which bas seen Footsie leap over 250 points, or 5 per cent, over the past three sessions, was Wall Street's closing

display on Friday, a good show-ing by the Hong Kong market, Footsie finished the session of takeover speculation.

The latter came in the wake of tion, which many observers see as evidence of gathering pace in the restructuring of global bank-

UK bank shares have outperformed the equity market over Behind the London market's wake of excellent profits perfor-Bank and TSB. is widely seen as

weaker-than-expected domestic 44.5 higher at 5,187.4, while the economic news and another burst FTSE 250 rose 29.7 to 4.781.0 and the SmallCap 7.8 to 2.304.3.

London got off to the best posthe merger of two Swiss banks, sible start, surging through 5,200 UBS and Swiss Bank Corpora- as the market priced in Wall Street's big gains on Friday when the Dow Jones Industrial Average finished almost 100 points up despite a large increase in the US non-farm payroll figure.

That report initially wiped out the past two years, partly in the the Dow's early gains, as traders fretted over the possibility that mance but also because of the the Federal Reserve's open marprospect of consolidation. The ket committee might sanction a Paul Mortimer-Lee, at Paribas, last big merger, between Lloyds rise in US interest rates when it meets next Tuesday.

Footsie finished the session news, moving up almost 2 per cent, although the Seoul stock market was decidedly weak.

The UK economic data were also seen as bullish, with weakerthan-forecast industrial production, manufacturing output and producer price figures seen as vindicating the decision of the monetary policy committee not to recommend a rise in UK interest rates.

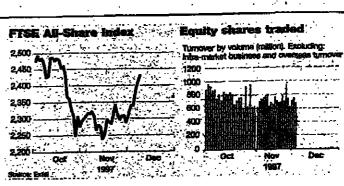
Economists said the data provided further evidence that the recent strength of sterling is restraining economic activity. said: "With the economy set to slow next year, one more hike

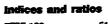
Hong Kong added to the good from the MPC is the most that is likely to be delivered."

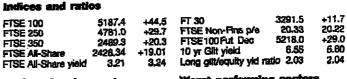
In the latest Merrill Lynch survey of UK fund managers, carried out by Gallup, the proportion of investors planning to buy UK equities is matched by an equal number looking to sell.

But the strategy team at Lehman Brothers continued to adopt a bullish stance on UK equities. "We think it makes a lot of sense to switch exposure from gilts into UK equities. The 10 per cent underperformance of equities since August leaves them looking very cheap in our framework, said the Lehman team.

Turnover was a respectable 708m shares.







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NatWest equals record

By Peter John, Joel Kibazo and Martin Brice

National Westminster shares continued their seemingly relentless rise yester-day as the consolidation speculation within the sector

The shares jumped 58 to 998p, matching the previous closing peak. The shares have gained 50 per cent over the past 12 months.

NatWest has been the focus of bid talk for weeks and the rumours grew over the weekend as it became clear that Swiss Bank Corporation and Union Bank of Switzerland are to merge.

There was also a press report that, if Barclays were to make an approach to Nat-West, and try to counter the consolidation in continental Europe, Lloyds TSB would consider a counter-offer. Lloyds jumped 251/2 to 7851/2p while Barclays rose 27 to £15.73.

Reuters Holdings, the news and electronic trading group, suffered a touch of post-celebration hangover as investors sold the stock following last week's announcement of a rolling share buy-back.

The shares have risen 30 per cent since the summer and the current status of the stake in Sedgwick. company has encouraged

short-term seller and cut its yesterday helped manufac- last week from BTR. Siebe is is in talks with retailer Pro- munications helped make

"Now that the buy-back is history rather than mystery, we think it's in the price." said Panmure analyst Lorna

Most of the forecast reducback but the downgrade also included a 5 per cent cut because of the economic trouble in Asia.

Swiss Bank Cornoration and Union Bank of Switzerland is expected to lead not only to a loss of jobs at the banks but a reduction of trading screens, which will hit Reuters' revenue. Reuters dropped 151/2 to 716p.

Sedgwick hints

The two biggest insurance brokers in the UK, Sedgwick and Willis Corroon, raced higher late in the session amid a burst of speculation that a merger between the

two could be imminent. Big gains in both were accompanied by higher than usual turnover. Sedgwick rose 81/2 to 141p on turnover of 2.4m, and Willis Corroon 6 to 131p with 2.5m shares changing hands.

"It is highly feasible that such a move could be on the cards," said one insurance specialist. PDFM, the fund management group, has a 26 per cent holding in Sedgwick and a 22 per cent stake in Willis Corroon, Oakmark, the US fund, run by David Herro has built up a 6.7%

The weakening of the Panmure Gordon to turn pound against the D-Mark Dec 8 Data based on Equaty steres listed on the London Share Service.

profits forecast from £750m turing exporters. TI Group, said to have similar expo- modes on the sale of Catof the best advances in the FTSE 100 index. British Steel gained 41/2 to 1431/2p 179p in volume of 13m. Ian

to 560p. The continuing high level tion reflected the share buy- of sterling has hurt shares in companies exposed to over-seas earnings but some traders are suggesting those stocks may experience a re-Finally, the merger of rating if the UK enters the euro at a rate of around

DM2.60 to the pound. lowing an analysts' visit to its Foxboro subsidiary in the traders expect a series of a strong performer for much "buy" notes from analysts of this year and hit its this week. However, there is all-time high of 531%p last said to be some doubt over Friday. how far the shares may rise

FT 30 INDEX

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up 27 at 527p, achieved one sure to the troubled Asian markets as BTR, which yesterday shed a further 31/2 to and British Airways rose 13 Strachan, chief executive, paid 180p each yesterday for 70,000 shares.

GKN shed 44 to £13.08 on fears of a delay to an order from its Westland subsidiary for the supply of 15 helicopters to the Canadian government.

A general feeling that food retailer Tesco has run too far Siebe gained 3 to £12.45 fol- ahead proved more significant than news of a disposal. Moving against the market US, which ended late last trend, shares in the group week. The visit was said to declined 15% to 516p on volhave a positive tone, and ume of 5.3m. Tesco has been

The group yesterday confollowing the profit warning firmed press reports that it

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teau, its French subsidiary. Speciality chemicals group Yale Catto fell after it 8.9 per cent to 79%p. launched a £256m bid for

Holliday Chemical, maker of speciality chemicals. The and US West already holds a agreed deal would create a 27 per cent stake in the merged group with annual sales of £550m Yule is offering 105.3p in cash and 0.45 new Yule

Catto ordinary shares for each Holliday share. Yule said it had acceptances for 18 per cent of Holliday's sbare capital. Yule's share price fell 32 to

had gained strongly since it announced last week that it also speculation of expanwas holding discussions with a willing buyer, fell 8 to closed 18 higher at 279p. Art auctioneer Christie's

International featured after it said it had "recently received a preliminary approach". However, the company said the talks had been broken off. The shares, a good market

ment before retreating to close a penny higher at Shares in luxury goods company Mulberry Group fell 121/2 to 89p after a weekend press report said the

recent problems in Asian

markets had led to falling

on Friday, initially moved

firmly ahead on the state-

sales of luxury goods. BSkyB fell 7 to 463p as Lehman Brothers repeated a "neutral" rating following a meeting with the company's new management team.

Lehman said the first

meeting with Mark Booth, the new chief executive, had been positive but there had been nothing to alter the assessment of the stock. It said a positive newsflow needed to start trickling through before the shares were worth more than 420p. News that US West has had informal, preliminary

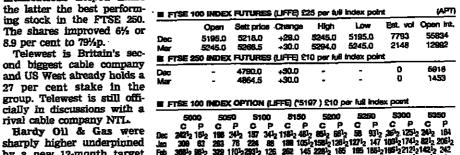
bid talks with Telewest Com-

the latter the best performing stock in the FTSE 250.

Telewest is Britain's second biggest cable company group. Telewest is still offi-cially in discussions with a

rival cable company NTL Hardy Oil & Gas were sharply higher underpinned by a new 12-month target price of 320p a share from SBC Warburg Dillon Read. The broker has moved its rating on the oil exploration 274%p while Holliday, which and production stock to had gained strongly since it "bny" from "hold". There is sion in Australia. The stock





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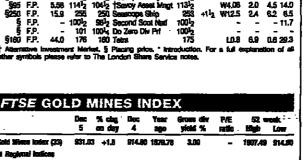
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E 250 Lower Yield		2524,7	+0.8						1.83 2.26	16.4 23.0		
E SmallCap		304.29	+0.3	2295.5	2291.43	2137.4			1.61	24.0		
E SmallCap ex IT & All-Share		301.96 428.34	+0.2	2298.2 2409.3					1.67	21.6		
E All-Share ex. IT		434.20	*0.8				3 3.21 - 3.24		1.98 2.00	19.67 19.33		
FTSE Actuaries	Indus	try :	Sect									1124.05
	п	ec 8	Day's chge%i	Dag :	5 Dec 4	Year	Gross yield%		Net	P/E	Xd ad	
MINERAL ECTRACTION(20)				_	_				COVER	ratio		Return
Extractive Industries(5)		679.92 122.41	+1,6 +2,8	4805.56 3036.0				2.65 3.19	1,81 1.88	20.61 14.70		
CE, Integrated(3)	5	162,81	+1.5	5084.9	4966.25	3999.8	3,37	2.72	1.77	20.94		
Oil Exploration & Prod(12)		667 <u>.56</u>	+0.8	3636.6				1.29	2.32	34.40		
GEN ROUSTRIALSESS		011.45		2010,6				3.29	1.96	16.48		
Building & Construction(35) Building Matte & Mercha(25)		314,94 770.04	-0.1 -1.2	1316.3				2.84 3.57	2.32 1.93	15,31		
Chemicals(36)	2	521.29	+0,6	2505.5				3.5/ 3.43	1.83	15.00 18.54		
Diversified industrals(13)		244,52	-1.0	1257.13				5.15	263	8.66	66.78	753.17
Dectronic & Bect Equip(34) Engineering(64)		249.25 813.97	-0.1 +1.2	2251.07 2790.52				3.20 2.52	1.54 2.42	20.54		
Engineering, Vehicles(13)	33	90.89	-1,1	3428.22				245	242	17.20		
Paper. Policy & Pretting(23)		174.11	-3.4	2183.83				3.93	1.99	13.16	85.35	
Textiles & Apparet(14) CONSUMER GOODS(85)		124.24 120.15	<u>-0.1</u>	1025.16				5.46_	1.19	16.03		
Alcoholic Beverages(7)		928.15 906.67	+1.0	4877.50 3350.00		3896.03 2542.85		2.61 3.17	1.B2 2.14	22,41		
Food Producers(25)	33	51.84	+0.9	3321.96	3313.82	2597.14	3.22	2.57	1.92	16.37 20.16		
Household Goods(17) Health Cere(14)		116 57 220.88	+0.4	3103.03				2.80	2.49	15.69	89.62	1295.83
Pharmaceuticals(19)		280J96 197.24	+0.2	2216.90 8009.54				1,93 1,93	1.81	29,83		
Tobacco(3)		34.02	+0.6	4607.86		3973.79		5.40	1.70 1.80	31,88 12,73		
SERVICES(271)		96.14	-0.1	2899.59		2582.95		2.30	2.03	21,65		1577.28
Distributors(28) Leisura & Hiotels(30)		05.48 11.33	+0.7 +0.7	2586.38 3288.00		2684.73		2.97	2.03	16.89	83.70	1010.15
decila(41)		50.09	+0.7 -0.5	4271.53				* 231 199	2.19 1.90	19.79		
Retailers, Food(15)		51.00	-0.9	2774,86	2714.16	2070.26	3.06	2.45	2.28	27.49 17,92		1591.82 1850.72
Retallers, General(53) Snoweries, Pubs & Rest.(22)		81.66 21.86	-03 -03	2388.16 3533.82		2075.39		2.45	2.17	18.81	65.08	1434.08
Support Services(58)		96.94	+1.2	3457.06		3244,03 2722.59		269 1.44	2.30 2.27	16.18		1765.02
Transport(23)	28	76.32	+0.4	2964.78		2616.71	3.45	2.78	128	31.29 28.42		2289,62 1312,18
UTILITIES(D2)	_	85.99	+0.1	3452.12		2466.07	3.89	3,13	1.62	19.60		1622.99
Bectricity(S) Gas Distribution(2)		61.92 77.62	+0.4	3845.08 2585.55		2667.48		3.86	2.11	12.25		
Telecommunications(9)		81,66		2678.37	2550.77 2853.26	1464.55 2053.64	253 328	202	. ‡	. ‡		1476.37
Weder(12)		59.2 1	-02	3264.76		2282.35	3.26 5.24	2.66 4.19	1.47 2.21	25.89 10.78		1292,13
NON-FINANCIAL S(683)	24	40.27	+0.5	2428.79		2042.71	3.30	2.72	1.57	_	115.89	
FINANCIALS(104)	48	43.45	_	4761.62		3387.46	207	<u>212</u> 248		20.33		1960.92
Banks, Retail(11)		29.42	+22	7073.29	6948.51	4861.89	291	2.45 2.33	2.41 2.53		134.50 180.98	
ineurance(17) Ulie Assurance(8)		05.39 76.49		2091.70	2090,48	1591.35	4.20	3.46	2.78	10.70	84.84	2495.76 1709.62
Other Prency(26)		78.43 17.50	_	5707.13 2684.69	****	3932.13	3.16	2.60	2.26	17.47	162.17	2544,07
Property(42)		68.77			3680,44 2157,30	2790.90 1699.47	293 298	2.38 2.45	2.06	20.65		2238.02
INVESTMENT TRUST8(125)	34	28.26			3366.53				1,38	30.18		1404.90
FTSE All-Share(982)		28.34			2385.05		224	1.80	1.17	47.55	63.68	1237,51
FTSE All-Strare ex (T(787)		34.20	+0.8	2415.28	2390.81	1903.13	3.21 3.24	263	1.96	19.67	67.28	2172.17
Fledgling		51.62			1247.63	1205.52		266	200		36.50	1120.09
Fledgling ex 17		67 19		1265,78			3.30 3.60	2.64 2.89	1.17	32.28	36.12	1369.62
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PIE ratios greater than 80 and net covers greater than 30 are not she are negative. Deletion: European Smaller Companies (FTSE Fladging

being destroyed at soil is exhausted the rate of thousands of very quickly by "slash trees a minute, how can planting and burn" farming methods. just a handful of seedlings make a difference? New tracts of tropical forest would then have A WWF - World Wide Fund For Nature tree to be cleared every two or three years.

nursery addresses some of the problems facing people that can force them to cliop down trees. Where hunger or poverty is the underlying cause

of deforestation, we can provide fruit trees.

The vallagers of Mugunga, Zaire, for example, cat papaya and mangoes from WWF trees. And rather than having to sell tumber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia liteatrees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced. These tree numeries are just part of the work we

do with the people of the tropical forests. WWF sponsors students from developing countries on an agrolotestry course at UPAZ University in Costa Rica, where WWF provides technical advice on

growing vegetable and grain crops.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada. Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



WWF World Wide Fund For Nature

International Secretariat, 1196 Gland, Switzerland.

WE GAVE THEM A NURSERY.

FOR THE SAKE OF THE CHILDREN

<u>jagalla</u> elegente (j. 18



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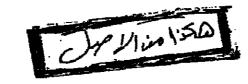
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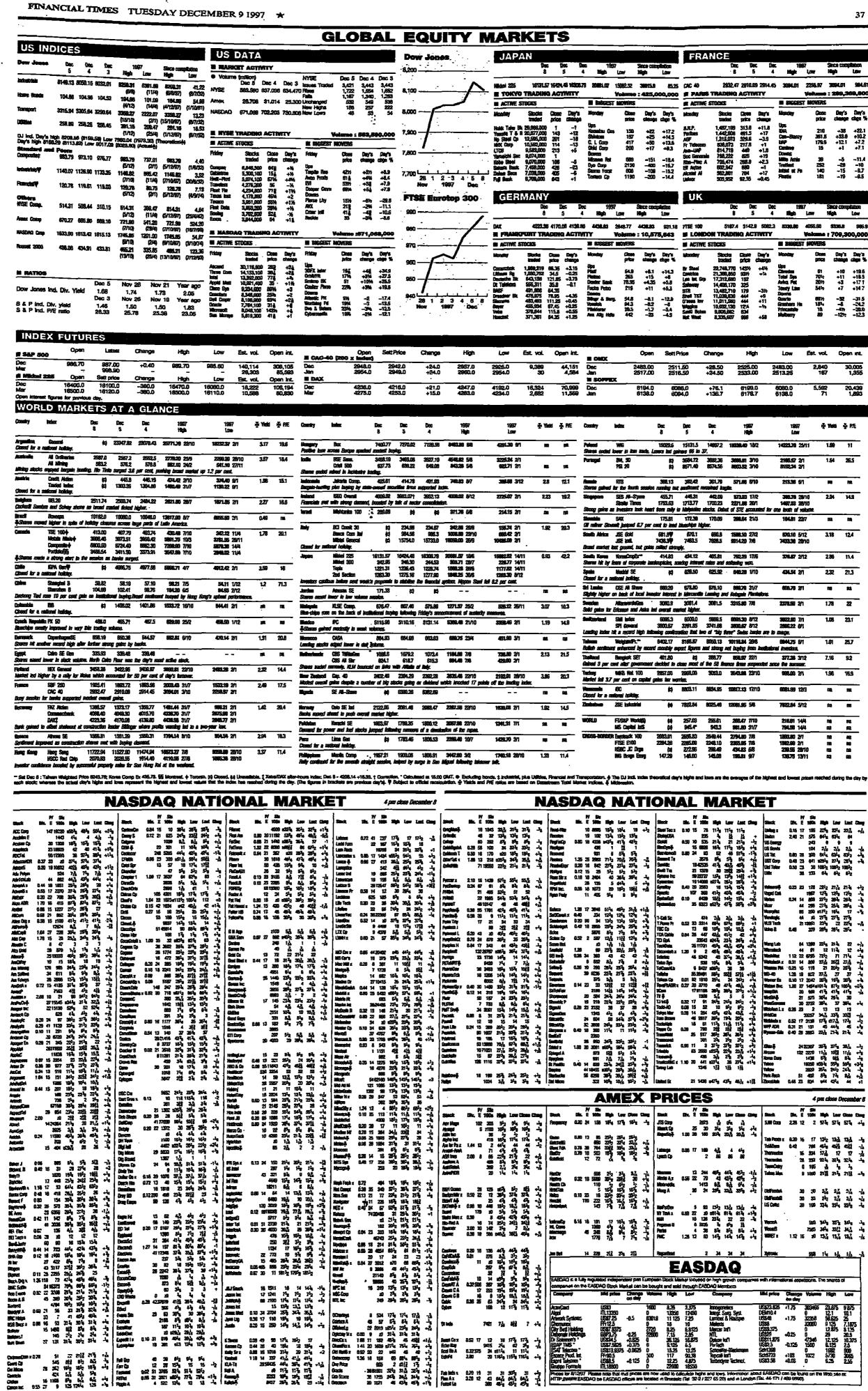
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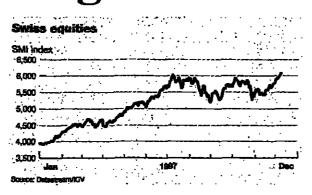
Swiss merger boosts financial stocks

WORLD OVERVIEW

The announcement of the merger between Union Bank of Switzerland and Swigs Bank Corporation confirmed that "takeover fever" had returned to the European markets, and sent financial stocks rising across the continent, writes Philip Coggan.

German banks got a lift from the hope that they would be part of a Europeanwide consolidation which many expect in the financial services sector, and in many other industries as well.

French and Danish banks strength of two of its largest force many businesses to



intra-day and closing highs. The theory is that the introduction of the single are too small to battle with were also higher while the currency and the pressures Swiss market, lifted by the of global consolidation will

stocks, recorded all-time realise that, whilst big enough to compete within their domestic market, they the big boys on a worldwide

Furthermore, with volume

Confirmation of the long

kets still low in historic is most heavily overweight increasing profits as coming good in the US, although financial sector has plenty of more leverage in the Latin costs to cut.

Meanwhile, the financial

crisis continued to prompt some sharo movements in Asian markets, with Malaysia rallying strongly and Korea taking a hit. "It is probably too early to get back into the Asian markets. since prices don't tend to bottom out until six months after the crisis," says Joe Rooney, global strategist at

Rooney says the market in

Banks propel Zurich to peak

growth in the western mar- which the investment bank is starved of credit." terms, managements may is the UK. "Outside there, are cautiously optimistic see their best chance of the fundamentals are still about the Japanese market, through cost-cutting. The investors will probably get rill Lynch/Gallup poll. American markets. Their have turned bullish - with a fundamentals have been

Deals speculation also got of Italy. Cockerill has been

the crisis in Asia." The big question, he says. concerns Japan, and the government's package, due to be announced tomorrow.

good but they have been

risk aversion prompted by

"The authorities need to take decisive action to deal with problem loans on the banks' books," he adds.

behind retailers. Promodès

lowing Friday's FFr5.5bn

AMSTERDAM made mod-

st progress with the AEX

index adding 5.97 at 926.47

after another session of nar-

KLM jumped F1220 to F1

76.30 following news of an

alliance with Alitalia of Italy

plus upbeat traffic figures

for November and Hoogov

ens gained Fl 1.70 to F196

after talk linked the steel-

maker's name with Cockerill

Sambre of Belgium. Philips

were also a good market,

adding Fl 3.50 to Fl 136.60.

Smaller caps saw brewer

Grolsch slip Fl 1.50 to Fl 48

on news of production

BRUSSELS was gripped by

takeover talk after a week-

end news report claimed

that steelmaker Cockerill

Sambre was close to a

merger with a European

rival. Cockerill shares leaped

BFr12 to BFr184 on the

report, which claimed the

group was considering four

potential partners - British

Steel, Usinor of France, the

Dutch Hoogovens and Riva

row trading.

European fund managers according to the latest Mer-

In net terms, the managers balance of just 1 percentage point planning to increase penalised by the increase in their holdings - from being slightly bearish in the last

> One sign why markets in general may be moving higher at the moment is that the asset category about which managers are most bearish is cash, with a halance of 9 percentage points planning to reduce their

seen as a target for some

time. The company admitted last month that it was con-

sidering alliances to help tt

survive in the competitive

European steel industry.

However, investors were sur-

prised that a deal was amour-

ently so close to fruition.

Cockerill denied that any

Helped also by a surge in

chemicals glant Solvay,

BFr50 higher at BFr2,400,

just below its year peak of BFr2,418, the Bel-20 index

COPENHAGEN reached

another all-time high to

make three successive

record-breaking sessions.

The KFX index gained 2.21

Banks were again the

main winners, helped by

excitement surrounding the

Swiss merger. Unidanmark

ended DKr10 higher at

DKr500, while BG Bank

BUDAPEST posted gains on continuing talk that for-

eign investors were dipping

their toes back into the mar-

ket. The BUX index ended

Telecommunications giant

Matav was again in favour,

with the shares ending Ft28

Written and edited by Michael

higher at F1910

130.75 higher at 7,400.77.

added DKr8 at DKr490.

to end at 203.13.

ended up 8.00 at 2,511.74.

talks had taken place.

EMERGING MARKET FOCUS

Malaysia takes its medicine

Rarely has such a sharp Malaysia austerity package been greeted with such euphoria. On its first full day of trading since the government announced tough neasures aimed at keeping

the International Monetary Fund at bay, the Kuala Lumpur stock exchange's composite index surged 69.07 or 11.4 per cent to close at 676.47. The market was not

however, celebrating the bitter medicine just prescribed Rather, it was rejoicing that after months of denial, the authorities had finally articulated credible policies to combat the country's financial crisis.

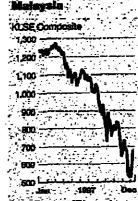
should be savoured because it may not last long. Selling was evident at the end of vesterday's rally as investors began to focus on the effects that austerity will have on the real economy.

Economists said the package unveiled by Anwar Ibrahim, deputy prime minister and finance minister, signalled an important shift in strategy. Until last week, the authorities had prevailed on financial institutions not to call in their loans, in order to cushion corporate Malaysia from the pain of a downturn.

But Mr Anwar's directive that loans may now be called in amounted to a realisation that the country stands a better chance of resisting the IMF's attentions if it protects its banking system, rather than its companies. Several bankrupt companies and individuals, Mr Anwar acknow-

ledged, will be the result. "When the bankruptcies start rolling in, you watch the stock market," said one economist in Kuala Lumpur. "It is going to be painful until there are clear ery. It will take at least a year, maybe two."

indonesia, Malaysia has a glut emerges. relatively modest exposure to debt denominated in US



Andrew Reduction

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dollars. But it is more vulnerable than those coundomestic borrowing. Total loans are expected to amount to 170 per cent of gross domestic product this ratio in south-east Asia.

This makes the economic particularly sensitive to which are almost certain to rise over the next few months in order to restrain building inflationary forces. One top Malaysian businessman said a base lending rate of 12 per cent would bring on some bank ruptcies, and 15 per cent would be "disastrous". The BLR is currently inching up from 10 per cent.

Consumption spending has already begun to dive Vehicle sales slumped 21.4 per cent year on year in October, and the important second-hand car market is heading for virtual collapse. This is crucial in a country where car prices are kept artificially high bought on bank loans equivalent sometimes to 90 per cent of their value.

Property prices have so far remained relatively buoyant, but Mr Anwar's signs of a financial recov- ruling that there should be no new lending to the real estate sector may take its Unlike Thailand and toll next year as a hefty

James Kynge

US stocks mixed as bonds weaken

AMERICAS

US stocks were mixed at midday as the bond market further consolidation was seen in the banking sector, writes John Labate in New

In a switch from the trend of recent sessions, the technology sector strongly outperformed blue chips as the Dow Jones Industrial Average pulled back, losing 18.40 by early afternoon at

Leading the Dow lower were shares in Coca-Cola. which lost \$1 € to \$64 à after analysts cut their estimates of 1998 earnings per share.

The weak bond market finally caught up with the Dow, but the broader market is positive and it is looking through the bond market." said A. Marshall Acuff at Smith Barney. The Standard & Poor's 500 index remained in positive territory, gaining

just under a point at 984.53. The bond market was lower in quiet trade as the benchmark 30-year Treasury bond came under selling pressure on fears that the Japanese government may erument's holdings in Trea- Street and domestic political suries. Bond market traders worries weighed on equities. said there were no signs of At midday, the IPC index announcement might be 5,111.9.

long bond price had fallen & to 1004, sending the yield higher at 6.109 per cent.

: shortiv

Strength in the computer sector sent the Nasdaq composite index sharply higher, rising 18.72 or 1.1 per cent at

in the technology sector shares of recently weakened stocks rebounded. Networking company 3Com gained Buenos Aires, Santiago, \$13. to \$37% while Xllinx Lima and Caracas were rose \$1% to \$38% after the closed for holidays.

futures and a reluctance by

investors to play the mar-ket. Golds, however, were

encouraged by a slightly

company announced new product shipments.

The domestic financial secboost by news that Deposit Guaranty would be acquired by First American Corporation in a \$2.7bn deal. Shares of Deposit Guaranty surged more than 9 per cent to \$57%

while First American plunged 8 per cent to \$50%. The overall banking sector was slightly higher as the Philadelphia Stock Exchange index of bank stocks rose

3.91 to 780.17. TORONTO extended Friday's rally in spite of Wall Street's weakness, helped by an upsurge of buying in bank stocks. At midsession, the 300 composite index was

75.33 higher at 6,799.7. Banks continued to post gains on hopes of lower interest rates. Bank of Nova Scotia was CS2 higher at C\$67.90 while Royal Bank of Canada climbed C\$1.45 to C\$82. Canadian Imperial

cents better at C\$46.80. Gold shares lost ground after Friday's bounce on

Bank of Commerce was 95

firmer bullion prices.

MEXICO CITY struggled to hold on to early gains as

Analysts said buyers were By early afternoon the staying away because of the warning from the construcdispute that erupted last week between congress and the administration over value-added tax, which threat-

ens passage of the budget. SAO PAULO rose on spec-ulative buying ahead of Monday's options expiry. By midsession the Bovespa index had risen 103 to 10,183.

R24.75 on speculation that Britain's Lonrho would launch a takeover at a pre-

mium to the current share

Union Bank of Switzerland and Swiss Bank Corporation sent the shares of both groups up sharply and drove the ZURICH market to an all-time high. UBS leapt 15 per cent early

tor was given a morning in the session and SBC jumped 8 per cent before consolidation and profittaking dragged the shares back from their best levels. UBS closed SFT215 higher at SFr2,145 while SBC was SFr25 ahead at SFr472.50.

CS Group, meanwhile, picked up SFr3 to SFr220.50 as it said that the union of its arch rivals would increase competition but earnings per share estiwould not force it to find a partner of its own.

more than 2.6 per cent at one stage. By the close it stood 86.3 or 1.4 per cent higher at a record 6,095.3. Insurers saw brisk demand

as the day's events prompted renewed speculation that the sector might see acquisitions or mergers of its own. Swiss Life, in which UBS holds a stake of around 25 per cent, jumped SFr97 to SFr1,127. Baloise, the mid-

merger or acquisition candi-Milan and Madrid were closed for national holidays

sized insurer long seen as a

FRANKFURT featured a sharp fall in Bilfinger and such selling so far, but an was just 1.74 higher at Berger, whose shares ended 22.38 higher at dropped to a two year low 2,932.47. after an unexpected profits tion group brought at least FFr19.00 to FFr825 in two downgrades.

The announcement that the company was expecting solidation plus the news that weakness in the domestic construction market and aichi Securities of Japan. down DM8.10 to DM54.80.

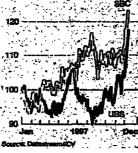
FTSE Actuaries Share Indices

947.30 937.22 978.55 998.34 1817.50 1830.36

+0.88 +0.85

+6.50 +19.17

Italian purchase plus the news that the retail giant was poised to buy the French Cattean chain from Tesco of the UK. Pinault-Printemps added FFr38 to FFr3,159 and Carrefour FF144 at FF13,064.



The news brought downgraded recommendations from Commerzbank and UBS, which also cut their

The broad market finished The SMI index rocketed up in the middle of the day's range as the benefits of an early boost from bank merger speculation were dilluted by the dull early performance of Wall Street. The Xetra Dax index turned down from a high of 4,245.79 to close 16.33 ahead at 4.208.14

Deutsche Bank, seen by

analysts as having the most pressing need to find a partner, was DM4.55 higher at DM123.40. Dresdner Bank picked up DM5.80 to DM80.40 and Commerzbank was DM4.13 higher at DM67. PARIS also also experi-

enced an active session for banks. BNP bounced more than 4 per cent and Paribas and CCF rose more than 3 per cent. The CAC 40 index Société Générale was th

busiest bank, adding FFr624m of turnover on speculation about sector con-SocGen may buy a capital problems relating to several CCF gained FFr11 to FFr400, projects in Germany and Paribas FFr17 to FFr461.5 abroad, sent the shares and Cie Bancaire FFr26 to

0.18

994.73

WHEELOCK Franchal 1857

Wheelock and Company Limited

(Incorporated in Hong Kong with limited liability)

INTERIM RESULTS FOR THE HALF-YEAR PERIOD ENDED 30 SEPTEMBER 1997 "Wheelock interim profit up 51.8 per cent"

- Unaudited attributable profit of HK\$1,196.0 million, an increase of 51.8 per
- Interim dividend of 11.5 cents.
- Growing Group landbank provides projects to beyond 2003.
- Wharf continues to enhance its long-term asset base and recurrent earnings.
- New Asia is now a 74-per cent subsidiary of Wheelock.
- · Marco Polo Developments' property project at Ardmore Park in Singapore is 98 per cent pre-sold.
- · Lane Crawford International Limited reported an interim profit after an interim deficit last year.

SUMMARY OF UNAUDITED CONSOLIDATED RI	ESULTS	
Six months ended 30 September:	1997 HK\$ Million	1996 HK\$ Million
Тиглочет	1,923.9	1,571.8
Operating profit Exceptional items	353.7	166.6 118.9
Profit from ordinary activities	353.7	285.5
Share of profits less losses of associated companies Profit before taxation	1,308.1 1,661.8	753.1 1,038.6
Taxation	(192.6)	(146.8)
Profit after taxation Minority interests	1,469.2	891.8
Group profit attributable to Shareholders	<u>(273.2)</u> 1,196.0	<u>(103.8)</u> 788.0
Interim dividend Transferred to revenue reserves	(233.1)	(232.4)
	962.9	555.6
Earnings per share	59.0 cents	39.1 cents
Interim dividend per share	11.5 cents	11.5 cents

higher bullion price and the price. Lourho confirmed index closed 11.8 or 1.8 per after the market closed that it was in bid talks to acquire cent higher at 681.9. The overall index lost 4.0 JCI and said that shareholdto 6,156.1 and industrials ers would be notified of

S Africa golds gain 1.8%

Johannesburg was flat JCI, whose board meets overall, constrained by today, picked up 75 cents at

Pessimistic Seoul slumps 4.8%

ASIA PACIFIC

Concerns about further corporate and banking failures, triggered by sharply rising interest rates and a weakening currency, sent SEOUL down 4.5 per cent.

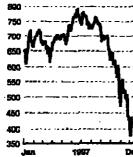
The optimism engendered by last week's IMF bailout evaporated at the weekend with the collapse of Coryo Securities, South Korea's eighth largest brokerage, and the Halls engineering conglomerate.

Halla's collapse, South Korea's 12th largest corporate failure, again raised concerns about the health of the financial sector.

Seoul Bank and Korea First Bank, both heavily exposed to Halla's debt, requested capital injections the Nikkei 225 Average from the government to moved within a relatively boost their capital ratios. narrow range before closing Seoul Bank rose Won120 to 1.8 per cent lower, writes Won1,670 and Korea First Michigo Nakamoto in Tokyo. Won160 to Won2,260 after it said the state was "consider-

ing" its request. ished 20.90 lower at 414.83. BANGKOK, by contrast. rebounded nearly 4 per cent as confidence returned after 16,110.29. Trade was also said the government decided to to be subdued ahead of the close all but two of the 58 government's economic

South Korea



troubled finance companies suspended during the summer. The SET index closed 13.03 bigher at 401.S.

TOKYO was subdued and

The index slipped 292.91 to 16,131.57, reflecting caution ahead of proposals due later The composite index fin- in the week from the ruling party to stabilise the financial system. The index hit a high of 16,515,68 and a low of

prices were another dampen-Turnover was 430m

shares. The capital-weighted Nikkei 300 index dropped 3.35 to 242.95 while the Topix index declined 15.12 to gainers at 814 against 261 with 189 issues were the first time since October unchanged. The OSE index 22 but late profit-taking dropped 270.54 to 16,351.04 amid sluggish trading.

Attention was focused on sectors likely to be hurt by the slowdown of the domestic economy. Steels suffered a 7 per cent decline. NKK and Kawasaki Steel both lost more than 20 per cent, falling to Y114 and Y176. Nippon Steel fell below Y200 for the first time since 1987 in heavy trading. It was the third most active issue and

closed down Y18 at Y201. Financial issues also continued their gloomy descent. The failed Hokkaido Takushoku Bank was the most actively traded issue losing Overseas Bank foreign end-

half its value to Y1. Yasuda Trust Bank, one of and Overseas Union Bank the weaker members of the foreign 15 cents lower at

week, while lower futures aichi Securities belongs, was second most actively traded. Despite persistent concerns investors came back to buy the shares which had been heavily sold, and the price rose Y12 to Y143. HONG KONG's Hang Seng

index traded above 11,800 for

trimmed gains and left the market 1.7 per cent higher. In London, the ISE-Nikkei The blue-chip index 50 index rose 0.74 to 1.512.06. jumped 195.34 to finish at 11,722.94 after touching a high of 11,842.73. Property stocks found support in the wake of a positive outcome

> Hung Kai Properties. SHK rose HK\$2.25 to HK\$64.25. SINGAPORE rallied 2.3 per cent as Kuala Lumpur's performance gave a strong boost to sentiment. The Straits Times Industrials index rose 39.86 to 1,753.63.

to the weekend sale of new

residential properties by Sun

Bank stocks, still popular with institutional investors, closed mixed with United ing 60 cents higher at S\$11.30

licine

Militabie ()

■ Main towns and population (1994) Budapest (capital) 1,995,696

1997 Forecast

43.0

3.0

4,240

18.2

7.0

9,9

17.0 .

9.8

-4.5

62.1

-1.82

16.29

19.29

-3.00

with 72 per cent of parlia-

mentary seats, but left the

FD uncomfortably aware

that it had assumed more

the Free Democrats' choice

will be tested in May when

the coalition parties will

fight the election separately.

They will also compete with

a plethora of opposition par-

ties, of whom the most sig-

nificant are the Young Dem-

ocrats (Fidesz) and the

The outcome will depend

on whether voters decide to

punish the coalition parties

for three years of lower liv-

ing standards and painful

economic and social reforms

or reward them for leading

Hungary bravely through

difficult times to future pros-

Mr Horn, a veteran former

Stalinist who progressed

seamlessly through reform

communism to social democ-

racy, is too shrewd a politi-

cal fox to expect gratitude.

Instead, he is visiting hospi-

tals and building up other

traditional constituencies in

Smallholders party.

perity and security.

The political wisdom of

responsibility than power.

14.9%

217,708

189.655

178,876

172,177

1998 Forecast

4,471

9.0

-4.5

60.9

18,44

21.45

imports

Hungary

Elections next May could set the seal on a transformation of Hungary's fortunes - and decide who leads the country into Nato and the EU. Anthony Robinson reports

Revitalised and raring to go

ungary has already won its place among the front runners for early Nato and European Union membership. This subtle central European country with its impenetrable language could well be the first through the doors in Brussels. But perseverance will be needed with social and economic reforms which have transformed its prospects over the past three

In several key areas the 10.3m Hungarians enter EU negotiations better placed than either the Czech republic, which only now is facing up to the need for deep structural reforms, or Poland - where Roman Catholic nationalists in the new Solidarity coalition have yet to prove their commitment to modernisation and EU membership.

Hungary's favourable situation is the result of a remarkable turnaround since early 1995 when it faced a Mexican-style debt crisis. It now approaches the end of 1997 with the strongest economic fundamentals of any post-communist coun-

try in the region. The clearest indicator of improvement is the near forint. halving of net foreign debt. much of it inherited from and monetary rectitude and towns such as Szentzottard the Soviet era, from \$18.9bn in 1994 to \$10.9bn at the end of August this year. Another is a sharp improvement in the economy's underlying

reflected in a 40 per cent rise in exports over the first nine months of this year, against

a 23 per cent rise in imports. Enhanced competitivity is the result of three years of disciplined fiscal and monetary policy reinforced by large-scale cash privatisation, heavy foreign direct and portfolio investment, and a 15 per cent cut in real incomes between 1995 and 1997. It is also the result of close co-operation between the finance ministry and one of the most skilled central banks in Europe.

Successive finance ministers, strongly backed by Gyula Horn, the prime minister, kept government spending and borrowing down while Gyorgy Suranyi, the president of Hungary's independent central bank. repaid foreign debt early and renegotiated tighter terms on remaining debt.

At the same time, the central bank imposed positive real interest rates to encourage domestic savings and tightened supervision of the banking system. It also prevented excessive, Czech-style currency appreciation by regular monthly crawling peg devaluations of the

The combination of fiscal large-scale privatisation stabilised the economy, cut the position and reduced inflation by 5 mer Soviet military air base

percentage points annually to the current 18 per cent annual rate.

Renewed confidence in the country's economic management and political stability attracted an unprecedented inflow of private foreign cap-

Andras Inotai, a senior academic adviser to the government, calculates that Hungary gained \$20bn in foreign direct investment over the past seven years, mostly over the past three. His estimate includes up to \$3bn of profits reinvested by the 50 top multinationals and other foreign companies doing

Higher industrial production from new, state-of-theart factories has been accompanied by double-digit labour productivity growth, creating a strong platform for non-inflationary wage and salary increases. These are now coming through - just in time to give many voters the "feel-good" factor before next May's general elections.

Not everyone is impressed,

however. The economic recovery has been heavily concentrated on the Budapest area and the western half of the country. This is good news for industrial and Gybr. close to the Austrian border. It has also public sector deficit from 9.6 brought new prosperity to per cent of GDP in 1995 to the huge new industrial about 4 per cent this year estates such as that on a for-



members, of whom 176 are elected 152 from county lists and 58 from a power is vested in partiament. The Constitutional Court has powers to

1994; next elections due by May 1998

tory to the constitution

at Szekesfehervar, 65km south-west of the capital. But enthusiasm for foreign capital declines away from financially stressed health

the western cities, in the traditional rural areas and small towns where the populist Smallholders party has its power base and support for Nato and EU entry is weakest This east-west split is accompanied by widening

income differentials between the well-educated young, especially those with foreign languages and adaptable skills, and the formerly wellpaid bureaucrats and employees in the education. health and other services. Opinion polls also reveal a groundswell of resentment against perceived widespread corruption.

More than 2.5m pensioners, many of them dependent on their inflation-savaged pay-outs, feel particularly aggrieved. Pension reform. one of the bravest initiatives of the coalition government. will also inevitably cut into the incomes of vounger workers. They will be building up their new funded pensions while contributing to



" Head of state Arpad Goncz (reon June 19 1995)
• National gover

Council of Ministers, headed by the fament. A new government took minister Gude Hom, leads a co of the HSP and AFD. Last reshuttle: February 1995

alst Party (HSP); Alliance of Free Democrats (AFD); Smalholders' Party (SP); Hungariar Democratic Forum (HDP); Hungaria Democratic People's Party (HDPP): Hungarian Civic Party (Fidesz-HCP); (CDPP); Hungarian Justice and Life

the former pay-as-you-go system which will take a generation to phase out. Overdue reform of the

system remains to be tackled after the elections. And yet... despite the grievances and the incurable melancholic pessimism of many Hungarians, there is a palpable sense of optimism that the economy is getting better and living standards

are at last starting to rise

Foreign perceptions are also changing. The stock exchange, after a two-year bull run, brushed aside neryous tremors emanating from Asia, while Hungary has also won Nato's confidence by acting as a reliable staging post for operations in Bosnia and by improving bilateral relations with its

quiet diplomacy. Last month. Hungary became the only aspirant Nato member to submit entry to a popular referendum. The vote was the legacy of earlier times, demanded by a Socialist offer. This gave Hungary a the public sector and promis-

many neighbours through

was much closer to its old Soviet-era attitudes.

Area: 93.030 ao km

Language: Hungerlar

Currency: Forint (Ft)

Total GDP (Son)

GDP per head (\$)

Population: 10.3 million (1997)

mber 3 1997 \$1 = Ft200.27

Real GDP crowth (annual % chance

Money supply, M2 (amus) % change

Merchandise exports (Son

Within a year of the party's return to power in the need for US support to avert and Washington's crucial role in halting the war in Bosnia had already persuaded Socialist leaders, and many others, that Hungary's future security was inextricably linked to membership

of both Nato and the EU. To Mr Horn's relief, nearly half the population turned out and 85 per cent of those voted in favour. With general elections due in May next year the result was also encouraging for the Socialist party. It won 52 per cent of the seats in 1994 against a divided and demoralised opposition, but was reluctant to take on the responsibility of power alone while memories of the communist

past were so fresh. To broaden support, the socialists offered a coalition partnership to the liberal Free Democrats. The FD refuctantly accepted the party in opposition when it stable coalition government ing more funds for educa-tion."

IN THIS SURVEY

- The economy: Strong fundamentals helped markets to survive
- Banking: Ugly duckling has taken off Privatisation: Greenfield projects play a key role
- Foreign policy: Focus is now on accession to the

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- Telecommunications: Making impressive progress
- The stock exchange: The past few months have been difficult
- Politics: Electorate may cold-shoulder fractious
- opposition Interview: Gyula Horn,
- prime minister
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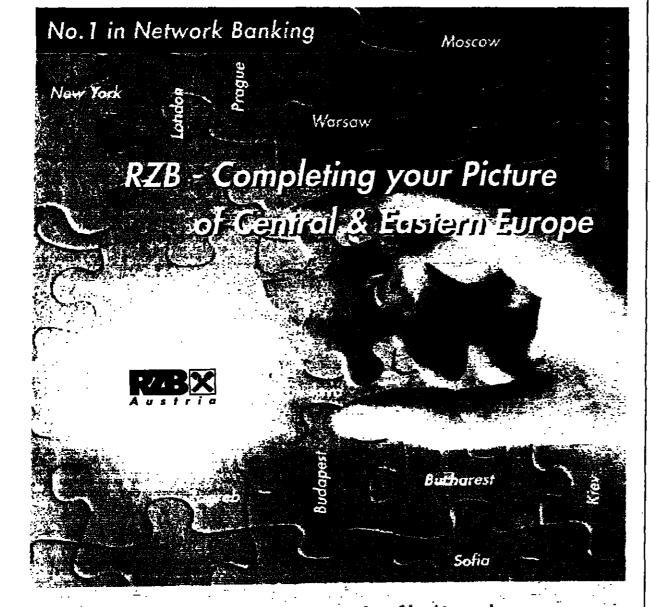
Production editor: Philip Sanders

tion, health and pensioners. He is simultaneously reassuring the middle classes that, if re-elected, the socialists will guarantee the continuation of reforms designed to underpin the

economy and modernise the

Mr Horn, still spritely at 65 years old, sports a wicked grin and a capacity to sideline potential rivals reminiscent of the late Leonid Brezhnev. He exudes cautious confidence and clearly wants both to win and to continue leading the coun-

In an interview he explained why. "The next five years will be a period of decisive importance for the fate of the country. Everything will be decided in this period - including Nato and EU entry. Everything else



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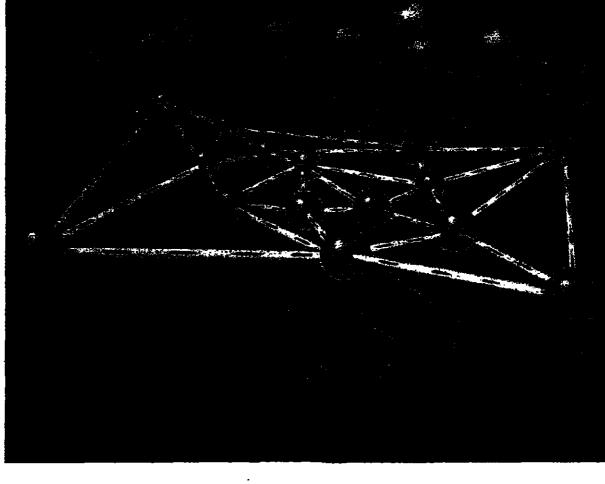
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THE ECONOMY • by Anthony Robinson

Strong fundamentals helped markets to survive

resilience served to underline the extraordinary improvement

Strong fundamentals ensured that It did not share the fate of Hungarian financial markets survived the tidal wave from south-east Asia last month with the briefest of blips. Share prices on the Budapest stock exchange shed 22 per cent in a couple of days in mid-November but quickly regained much of their loss.

At the same time, general nervousness about emerging of national telecommunications operator Matay's Budapest and New York share offer down to the minimum of the projected range when trading started on November

tion after a powerful two-

Hungary's relative year bull run was expected, if not overdue, and the important thing about the Matav issue was that it continued as planned. The 25 per cent foreign and domestic offering of the telephone company's shares was not dropped at the last moment. similar planned offerings by Pliva the Croatian pharmaceuticals company, or Bonton, the Czech entertainments group, or a slew of putative Russian bond issues which were called off until better times.

Hungary's relative resilience in the face of global financial nervousness served to underline how far the extraordinary improvement in the the country's financial and economic fundamentals over the past three years has been taken on board by international investors. Heavy investment by foreign multinationals in new

and mainly export-orientated

industries such as vehicle assembly and components manufacture and revitalised tronics. This has led to a strong rise in industrial output and a surge in exports more than \$14bn in the first nine months of the year. Surging exports and rising investment kept the overall

economy growing despite the three-year contraction in real incomes and domestic spending. With domestic demand starting to rise on recovering real incomes, the economy is now expected to produce GDP growth of 4-5 per cent this year - well above the 3 per cent forecast at the start of the year. Double-digit labour pro-

ductivity gains mean that steady non-inflationary growth should be sustainable for the foreseeable future, given a degree of wage discipline and continu-

has fallen from 9.6 per cent new export-orientated indusexisting sectors such as elec- of GDP in 1995 to just over 4 per cent in 1997, and a further decline is projected in the 1998 budget. Inflation which rose 40 per cent to has also fallen steadily to an to 30-35 per cent in 1989. The annual rate of about 18 per cent from 23 per cent last year. Consumer prices are targeted to continue falling 5 percentage points annually over the next three years.

governance.

Higher labour productivity and falling unit costs underline how far stabilisation of the domestic economy, the diversion of resources from consumption to export and rapid cash privatisation created the pre-conditions for substantial microeconomic restructuring of banks and

The banking system in particular has benefited from the influx of foreign owners and managers which also made possible the style explosion of native

factories has created new ing tight macroeconomic restructuring of many for-entrepreneurial talent. This mer state-owned enterprises The public sector deficit and the establishment of

An estimated 75 per cent

of GDP is now produced by

1989 figure was relatively reflected both the importance of the "grey economy" in this traditionally highly taxed country and Hungary's early experimentation with market-orientated reforms at the enterprise level. This created a pool of draw on when the transition

Critics of Hungarian economic policy argue that the trated too much on attracting foreign investment and not enough on creating the environment for a Polish-

to a real market system

of the grey economy, especially in the service sector. The grey economy contributes as much as 30 per cent of national output, according

to some estimates, casting

doubt on the value of all offi-

cial statistics

The need to reduce the incentive to stay underground by cutting the burden on legitimate enterprises and employers is one of the driving forces behind reform entrepreneurial talent to of the pension system. The new structure will put increasing emphasis on the fully-funded element and cut the government subsidy. Health service reform is next on the agenda. Meanwhile, the central bank notes that revenues actually increased when corporate tax rates were recently cut from 30 to

18 per cent of profits.

The availability of compehigh corporate taxes and and skilled labour is often social charges which encour- cited by foreign investors as age tax evasion and growth one of the attractions of investing in Hungary and most foreign companies are mainly managed by Hungarians. They make a powerful contribution to Hungary's economic recovery. An estimated 14 per cent of GDP is now produced by foreignowned companies, including central bank runs a positive the leading banks and sev-

> The impact is even greater in the export sector where more than 70 per cent of rapidly rising exports issue from brand new foreignowned factories, often working round the clock with and is unlikely to do much state-of-the-art plant and machinery.
> Policy makers supported

eral utilities.

the export drive by avoiding the Czech mistake of allowing the erosion of competitive cushions such as relatively low wages and an although imports will rise.

undervalued exchange rate. is largely 2 reflection of the tent Hungarian managers. Average real wages declined by 15 per cent between 1995-97 while excessive currency appreciation was prevented by regular downward-crawling adjustments to the forint exchange rate. In this way, some of the the advantage gained by the one-off devaluation of the forint early in 1995 has been retained. The real interest rate policy to encourage savings and clarify the real costs of borrow2000

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ing and investment. With elections looming next May, the government ing on health and pensions to rein back an expected 4-5 per cent rise in real wages next year. But with labour productivity rising in double digits for the third year running, Hungarian exports

BANKING • by Anthony Robinson Ugly duckling has taken off Greenfield projects

The reorganised banks collectively recorded a 45 per cent rise in post-tax profits

The transformation of the institutional investors paid Hungarian banking system from state-owned ugly duck- stake in the bank through ling to privatised swap an international private ranks as one of the fastest placement and a domestic turnaround stories in the offering. But on October 28

a bail-out of the state-owned cent stake. banks which cost the equivalent of 7 per cent of gross domestic product.

systemic collapse of the scribed and had to be banking system. But it did not solve the problems of more than 600,000 shares inibad corporate governance or tially offered at more than moral hazard," recalls \$30 a share or global deposi-Gyorgy Suranyi, president of tory receipt to foreign investhe National Bank of Hun-tors. gary. That experience strengthened the hand of reformers who argued that the main state banks should of the retail savings market be privatised, including the and municipal lending is state savings bank (OTP) expected to come under and the commercial banks increasing competitive carved out of the National attack from the foreignreform process.

Privatisation began with the sale of a strategic stake in Magyar Kulkereskedelmi Bank (MKB), the foreign trade bank, to Bayerische Landesbank and the EBRD in 1994. Budapest Bank was then bought by GE Capital while Magyar Hitel Bankwas bought and renamed by ABN Amro.

In November this year, the government completed the last stage of the sale of OTP. indirectly state-owned through the shareholdings of banking system strikes the the main social security bod- eye in the form of elegantly ies and the post office. The OTP saga illustrates

how perspectives on Hungarian banks have changed. In July 1995 foreign and local \$90m for a 33.4 per cent central European transition. this year, the state received Just three years ago, the \$213m for the Privatisation government was completing. Agency's remaining 25 per

The institutional offer was five times over-subscribed while the domestic retail "We had to do it to avoid a offer was 3.9 times oversubincreased by clawing back

The re-rating of OTP took place even though the bank's overwhelming share aggressively seeking new business and have invested much more in new equip-

ment and training. Problems also remain with Postabank, which suffered a crisis of confidence and a serious run in February, and is being nursed temporarily by the Privatisation Agency.

But the state, which dominated the banking system three years ago, now only retains a majority stake in two specialist banks, the Hungary's largest bank, Hungarian Development although Postabank remains Bank and Eximbank.

And the second s

The transformation of the retail lending. But fierce refurbished head offices. marble banking halls and neon signs offering 24-hour banking. Automatic Telling Machines (ATMs) seem to lurk on every city street cor-

Progress can be gauged more accurately by the balance sheets of the heavily



recapitalised and reorganised banks which collectively recorded a 45 per cent rise in post-tax profits last year, to Ft67bn, about \$40m at the 1996 exchange rate.

Prospects for this year look brighter still against the background of an economy growing at 4-5 per cent. declining inflation and rising real incomes. Banks are seeing higher savings and deposits and a strong rise in demand for corporate and

competition among the country's 41 banks is driving down margins, sharply reducing spreads between deposit and lending rates. and pointing the way to a future wave of small-bank closures or mergers as the industry consolidates around

fewer, but stronger banks.

Higher investment and strongly rising industrial production led to a 20 per cent rise in domestic lending over the first half of this year, of which the central bank estimates 13 per cent was new borrowing. The remainder is accounted for by corporate borrowers switching from foreign to cheaper forint borrowing.

sector is now down to 3 per cent, compared to 7-8 per cent two years ago. Spreads in the retail lending sector, still virtually uncharted territory for both banks and their customers 12 months ago, remain at

highly competitive corporate

much higher levels. But strong competition in the growing market for vehicle. consumer durable, housing to whittle away the current entry. 7-8 per cent spreads on consumer credits. The central bank plays a key role in driving forward bank modernisation by

encouraging the competition which is cutting spreads and making sure that interest rates remain positive in real terms, although actual rates have been following inflation downwards.

The central bank has also helped to trim the cost of money by cutting its compulsory deposit requirement

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from 17 to 12 per cent of deposits, still high by west european standards.

With well over 50 per cent of Hungarian bank assets now controlled by foreignowned banks, of which 19 are wholly foreign-owned, Hungarian banks are operating in close to a "normal" European banking ethos and are offering increasingly sophisticated services.

Most of the foreign-owned, but mainly Hungarian-managed, banks were recapitalised after their acquisition and have spent heavily on staff training and new information technology systems. Last year, foreigners spent Ft39bn buying Hungarian banks and a further Ft60bn The average spread in the on recapitalising them or starting new operations.

"The most important lesson from the Hungarian experience is that privatising the banks is the best way of getting rid of the moral hazard problem," says Mr Suranyi. But he also believes that the influx of foreign owners and the intro- \$3bn of foreign debt. But upduction of competitive, mod-"The selling process was

linked to additional capital increases, a further strengthening of the banks' capital base and a new style of corporate management, From next year, foreign banks will also be free to open branches here. This means that Hungary has effectively preempted the EU requirement to open up the domestic market. Potential foreign competitors are already here and operating as Hungarian

play a key role Investment has given new life to existing sectors and created new enterprises

When the government opted for a policy of rapid privatisation in 1995 it went for the quickest and simplest method to obtain what it needed most - cash sales to strategic investors.

Since then, banks, industrial enterprises, power stations, water, sewerage and other utilities including telecoms, have all fallen under the hammer. Their sale accounts for more than \$5bn of the \$17bn-\$18bn in foreign direct investment which has flowed into Hungary over

the past seven years. The cash helped to plug holes in the state budget and repay before schedule some prime ministers special adviser on economic matters and head of the government's task force on European integration.

Sales to strategic investors brought in new management and access to new technology and foreign markets. The decision to offer large chunks of power and water utilities as well as telecoms to foreign buyers remains unprecedented in the region. It has provided a unique opportunity to replace obsolete, polluting equipment with state-of-the-art compower generators and new gas, water, sewerage and power lines, as well as telephones, which the cashstrapped state and municipalities would have been simply unable to finance.

The country's retail system is also undergoing a revolution as foreign retailers and hypermarket chains. including Marks and Spencer and Tesco from the UK, invest heavily in new citycentre stores, suburban shopping malls and enter-

The influx of fresh capital to replace worn-out assets. and the transformation of former state-owned banks and enterprises from serious loss-makers into tax-pavers. bas helped to raise tax revenues and employment.

Professor Inotai argues that the main benefit from the government's decision to of former state or municipally-owned assets.

The inflow of greenfield investment has given new life to existing sectors such as electronics and pharmaceuticals and created entirely new industrial sectors such as motor car assembly and motor components. These are produced from new plants put up by US, European and Asian companies including General Motors, Ford, Suzuki and Audi, often operating on

bined-cycle gas turbine three shifts, 24 hours a day. Plants set up by IBM. Philips and others came on stream after the summer holidays - producing a fresh surge in export-oriented industrial output that pushed the industrial production index up 19.7 per cent in September compared to the same month last year. More than 70 per cent of Hungary's industrial exports now come from foreignowned plants such as these. National Bank of Hungary figures show that exports on a payments basis in Septem-

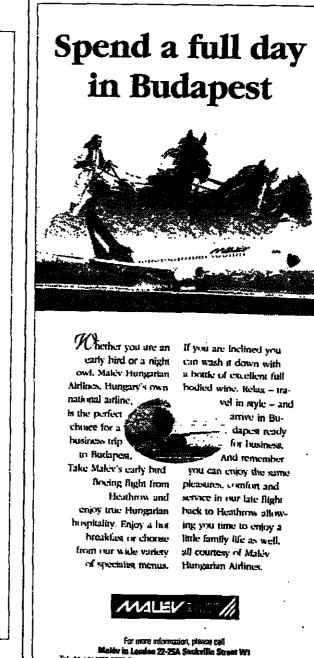
\$1,650m compared to the same month last year. Imports also surged by 23 per cent, reflecting the high volume of imported components incorporated in the exports of the multinationals. But with stronger demand from German and other EU markets, and signs privatise and open up the of recovery in Russia, front cash, useful though it economy has come more exports have kept ahead of ern banking services has was, is only part of the story, from foreign investment in the increase in imports, removed a potential stumb- argues Andras Inotai, the completely new and often although imports are expecexport-orientated greenfield—ted to grow faster next year plants than in privatisation as higher incomes suck in

ber jumped 37 per cent to

more consumer goods The nine-months figures which show a 40 per cent rise in exports to \$14.15bn from \$10.1bn in the first three quarters of 1996. clearly indicate that the September production figures were not a one-off, post-holiday surge but part of a secular upward shift in Hungary's export-orientated industrial capacity and competitiveness which is directly linked to foreign

investment.





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PROFILE OF A FOREIGN INVESTOR

One of the first companies to throw a lifeline

Few sectors of protected socialist industry suffered more painfully from exposure to world competition than electronics when the Soviet system collapsed.

The Hungarian industry was no exception. Virtually overnight, state-owned electronics groups such as Videoton were revealed as hopelessly obsolete.

But what looked like impending disaster seven years ago has become a big competitive advantage for Hungary over the past few years as foreign multinationals have moved in to offer new jobs to the large pool of trained electronics workers.

The Eindhoven-based Philips group, along with General Electric of the US which took over the Tungsram lighting company, was one of the first western companies to throw a lifeline to towns such as Szekesfehervar, south-west of Budapest.

Until 1989, the town's economic life revolved around Videoton, a large ikarus bus plant, the Hungalu aluminium plant and a sprawling Soviet air

Over the past five years, that airbase has been converted into an industrial park with big new foreign-owned assembly plants springing up like

mushrooms after rain. Meanwhile, Videoton has found a new lease of life as a sub-contractor to the multinationals and the aluminium plant has been taken over and modernised by Alcoa. The bus plant is still up for sale.

Philips originally thought of buying Videoton. Those plans ran into the sand but the company did set up production of semi-finished parts and components for rideo cassette recorders (VCRs) in a former Videoton plant in 1990 before opting to make the first of several greenfield investments, a

plant to assembly VCRs, two years later. Since then, Philips has built 12 production facilities in the country.

The latest is Philips Bundling, a greenfield plant at Szekesfehervar, which has become the sole European production and distribution centre for Philips VCRs and TV-Video combis – television sets with a built-in video player.

The Dutch group shifted production from plants in Nuremberg and Vienna to the new factory. In total, Philips invested \$78m in Hungary in the seven years up to 1996. It

created 5,200 new direct jobs in the process and established Philips as one of Hungary's largest exporters. "Over 99 per cent of our production is exported," says Willem van der Vegt. the chairman and chief executive officer of Philips Hungary. In 1996, the company's

Hungarian plants exported

The Phillips television and VCR plant at Szekesfehervar, south-w electronic consumer goods and components worth \$385m. But over the two years to the end of 1998 the

group expects exports to soar to \$2.3bn, although this includes the re-export of components previously imported from

other Philips plants and

suppliers outside Hungary. The company's impact on the balance of payments started to come clear this autumn when the new Szekesfehervar plant started churning out video combis for the entire European market. In the current two-year

period to the end of 1998. Philips is investing a further \$63m in its Hungarian operations and creating another 600 jobs. At the same time, the sale of Philips products on the Hungarian market, including goods imported

from Philips Pola lighting

in Poland and plants elsewhere in the region, is expected to rise from a modest \$55m in 1996 to \$165m_ Unlike Philips investment

in Poland, which was primarily driven by the attraction of a 39m-strong domestic market, as large as Spain, the company has invested in Hungary primarily as a low-cost production base.

It now makes products which would probably have been made in south-east Asia had the cold war not ended, Mr van der Vegt. SAVS.

This export-orientation, common to many foreign investors in Hungary, means that Philips, like other international companies, has not been downcast by the 30 months of domestic austerity during which spending power fell sharply.

On the contrary, new jobs and rising exports from plants such as these helped

to sustain both employment and growth in the recession and create an investment and export-led turnaround.

HUNGARY 3

But looking further ahead, Mr van der Vegt notes that companies such as Philips are expanding into east and central Europe precisely to break out of relatively mature markets in western Europe.

"We see a big and as yet unexploited potential for growth between member countries of the Central European Free Trade Area. Their trade collapsed after Comecon disintegrated and they had no foreign currency to replace the transferable rouble. But Cefta countries make up a market of over 100m people and Cefta already belps us trade more easily between Philips plant in various member countries.

"That is where the growth

Anthony Robinson

FOREIGN AND SECURITY POLICY • by Anatol Lieven

The focus is now on accession to the EU and Nato

Hungary's international position looks stable, secure - and hopeful

Hungarian foreign and security policy is now dominated by the process of accession to Nato and the European Union.

The invitation to Hungary to join Nato in 1999, made at the Madrid summit in July. was presented to the Hungarian public as one of the most important in all its his-

While Nato membership is ing the RII is going to be a much longer and more complicated process. As in the case of previous EU applicants, the changes that Hungary will need to make in troversial decision on

and anger in some sections fighter aircraft at a cost of that will win western of the population, especially \$1.5bn or more. the farmers.

This is particularly the case since many subsidies from the Common Agricultural Policy (CAP) and the structural funds look set to diminish drastically in the coming years. The decision to join Nato

was confirmed by a referendum in November, in which 85 per cent voted in favour of membership, though on a turnout of only 49 per cent. The government used the low turnout as a backhanded

way of arguing that Hungary had already become a western country, pointing to very now a virtual certainty, join- low participation in referendums in the West. It encouraged a "yes" vote by playing down the costs of

Commission recommended that the EU include Hungary among the first five countries with which to begin accession negotiations. The Hungarians believe, perhaps optimistically, that it will be possible to join the Union as early as 2002. The Nato and EU negotia-

In July, the European

tions have also improved Hungary's position in its own neighbourhood. Conseveral of her neighbours have long been bedevilled by mutual resentment, but in the case of Romania, at least, relations have got markedly better over the past year.

A key reason for this has membership, and in particular, by delaying a highly conorder to join will cause fear whether to buy new western and therefore to act in ways munity.

approval.

Leaders of both the Hungarian government and the moderate opposition have argued that one reason why neighbours to join Nato and the EU is that this would be the best way to overcome regional divisions, both at the official and human level. Gyula Horn, the prime

minister, said: "It was very important that Nato did not slam the door in the face of tacts between Hungary and Romania and other applicants. We greatly appreciate this, and we hope that the EU will echo it." Hungarian officials also

worry that if Hungary was to adopt EU border controls this would tend to isolate it from Hungarian minorities been the desire of both Hun- in neighbouring countries. garians and Romanians to unless those countries are join western institutions, also within the western com-

The Romanian administration of President Emil Con- also remain at odds over the stantinescu has pleased Budapest by inviting the Hungarian-Romanian party, the UDMR, into coalition, Hungary must press for its and has made significant concessions on the use of the

Hungarian language in edu-

cation and administration. But there are tensions between the Hungarian government and radical Hungarian politicians in Romania who accuse Budapest of ignoring the real interests of the Hungarian minority out of an exaggerated desire to please the West.

With Slovakia on the other hand, official relations are extremely cool. In September, a furious public row erupted after Slovak President Vladimir Meciar talked loosely about the voluntary repatriation of Hungarians living in Slovakia and Slovaks in Hungary.

E-mail: hd@dd.hu '--

Hungarians and Slovaks minister, said: issue of the Gabcikovo Dam on the Danube. Two dams verdict an honourable draw, were to be built under a treaty signed by Hungary a win." and the former Czechoslo-

The Slovaks went ahead and built their dam - and have continued to insist that the Hungarians fulfil their side of the agreement. Both sides agreed to refer the dispute to the International

vakia in communist days,

but in 1992 Hungary pulled

out under intense pressure

from ecological protest col-

oured by anti-Slovak nation-

Court of Justice at The Its ambiguous judgment, delivered in October, was that Hungary was at fault in pulling out of the treaty, but that Slovakia should not have gone ahead unilaterLaszlo Kovacs, foreign "We considered the Hague

but the Slovaks considered it Although negotiations are continuing with a view to meeting the Court's deadline of agreement within six

months, at present there seems little chance of this. Slovakia now looks very isolated internationally. Nato and the EU have both excluded Slovakia from their lists of early candidates for membership, citing a "democratic deficit", including the treatment of the Hungarian

The weakness of Slovakia's position has allowed the Hungarian government to restrained hand. Compared rhetoric against Slovakia looks exceptionally stable. has greatly diminished and

Hungary's standing with the West has increased accord-Hungarians remain con-

cerped by the danger of a resumption of fighting in Bosnia, where Hungarian units are stationed with the multinational Nato Stabilisation Force (Sfor). The Sfor bases for US troops attached Hungary have been both a security against the war spreading and a strong argument in the US Senate in favour of admitting Hungary to Nato.

Hungarian ministers are very anxious that western troops should not pull out of Bosnia when the Sfor mandate ends next July, and have been arguing strongly play a very cool and to that effect in Washington. But this aside, Hungary's to past years. Hungarian international position now

secure and hopeful.

September 1997

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TELECOMMUNICATIONS • by Anatol Lieven and Anthony Robinson

Making impressive progress

Even after it loses its monopolies, Matav will be a formidable opponent

When Matav, the former state telecommunications group, is listed on the Budapest stock exchange early next year it will boost the overall capitalisation of the exchange by almost 50 per cent overnight.

This is partly a reflection on the relatively small size of the exchange, but mainly of the \$4bn value placed by foreign and domestic investors on Hungary's largest company.

Matav, which will retain its lucrative dual monopoly over international and domestic trunk calls until 2002, has already made significant improvements in service quality and profitability since it began moves towards privatisation in December 1993. That was when the Magyarcom consortium, formed on a 50-50 basis by Ameritech of the US and Deutsche Telekom. acquired an initial 30 per cent stake in the former state monopoly. This was subsequently raised to 67 per cent in 1995.

Most of the remaining shares were held by the state privatisation agency, APV, until an initial public offering (IPO) last month when 25 per cent of the company's shares were sold to foreign and domestic investors. Some 17 per cent of the shares were sold by APV and a further 8 per cent by the Magyarcom partners, freeing capital for further investment and dropping their controlling stake from 67 to 59 per cent.

Progress since privatisation began has been impressive. Since launching its expansion and modernisation programme in 1993, Matav has become more "customer friendly" and increased the number of telephone lines from 1.3m to of Hungary's communica-2.1m. The number of lines tions infrastructure also has per 100 inhabitants has risen from 14 in 1993 to 30 in 1996.

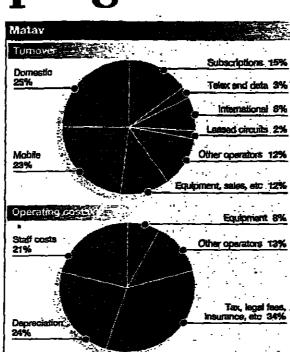
At the same time, productivity has risen sharply, with



nents to the communications infrastructure are playing an important part in preparing Hungary for accession to the EU

the number of lines per employee up from 87 in 1995 to an estimated 163 this year. This is comparable to the performance of telecoms companies in the poorer states of the European the system digitalised, for example. Hungary is already ahead of Portugal in this key indicator of technological prowess. The improvement a wider significance by playing an important part in preparing Hungary for acces-

The direction of capital investment is shifting away from basic infrastructure improvements and towards higher service quality and a greater range of services. The proportion of capital Union. With 68 per cent of expenditure devoted to network infrastructure dropped from 76 per cent in 1996 to 63 per cent this year. From now on, growth in the number of lines will only keep pace with the growth of the gross domestic product (GDP). Matay will concentrate increasingly on value-added services such as the Internet



exchange. The company already dominates the Hungarian mobile phone sector, among the fastest growing in Europe. Westel 900, the mobile phone company which is 45 per cent Matavowned, earned a 34 per cent return on its invested capital last year. Partly because of the previous difficulty in gaining access to fixed-line telephones. Hungary now has more cellular phones per head of population than Bel-

Matav's shift to quality will be accompanied by continuing efforts to raise productivity and cut costs. By 2000 it expects to cut wage costs as a proportion of operating costs to 16.7 per cent from 25.7 per cent in 1995 - and to increase average revenue per employee to \$110,000. The latter depends partly on the Hungarian trade unions remaining in

their current rather quies-

cent state. Meanwhile, the problems in Hungary's telecoms system are starting to reflect general European patterns rather than specifically Hungarian or post-communist ones. One of these is the continuing dispute between Matav and the local teleelectronic data phone operating (LTO) com-

Year and December 1996 panies, most of them internationally-owned, which Hungary's phone lines.

The Association of LTOs has complained to the Hungarian competition office and the European Commis-sion that Matav's interconnection fees are about three times the EU average. They have accused Matav of abusing its monopoly position and complain that the state. which set up a commission to mediate over the issue, has favoured Matav so as to sustain the attractiveness of the company to potential investors ahead of Novem-

ber's IPO. LTO representatives admit that the privatisation of state telecoms companies in western Europe over the past 10 years has also been far from problem-free. There have been numerous accusations of unfair profits and British Telecom, for example, only recently established a generally acceptable pricing structure.

After the year 2000, Matav's future becomes murkier. The monopoly on international and domestic trunk calls expires at the end of 2001 while the market for new land-lines and mobiles is expected to move towards saturation levels. This could well affect future profitabil-

vears of about 35 per cent in forint terms or 18 per cent in dollar terms. Higher earn- kers. ings will be fuelled by a 9 and strong growth in mobile telephone operations.

But stronger competition new Hungarian telecoms consortium, MKM-Tel, was set up earlier this year by Hungarian railways (Mav) and the state oil company Mol It will begin offering business services from the start of next year and will compete with Matav across the board from 2002,

The new consortium also intends to concentrate on value-added services and promises to give Matav a tough run for its money in the business services sector especially. The MKM-Tel consortium plans to raise money through an equity offering and add 2,697km of new line to the 728km of optical fibre cable already owned by MAV.

The government has encouraged the formation of MKM-Tel, because of EU competition requirements and also because the dominance of Matav had begun to cause concern. But the gov ernment faces some difficult decisions after being anxious not to do anything that might harm the attractiveness of Matav shares in the run-up to the IPO.
It has left open until now

the question of who will receive the future contract for government telecoms services worth about \$82m a year. A decision will be required shortly.

Even after Matav loses its monopoly, however, it will still be a formidable opponent. In September, an international tender for a stake in MKM-Tel attracted only one bid, from the European telecoms group Unisource. This is an indication that Matav is seen as a formidable operator and that potential competitors are thinking hard before tackling it on its home ground.

But business and private customers who have enjoyed steady improvements in the quality of service, but who complain at what many see as unjustifiably high prices, are hoping that the end of Matav's monopoly will inject further competition into What until now has been a relatively cosy environment for Hungary's main telecoms



THE STOCK EXCHANGE • by Anatol Lieven

Past few months have been bumpy

between them run 700,000 of Analysts say they are not too worried by the turbulence from Asia

> The past few months have seen a bumpy ride on the Budapest stock exchange after a strong first eight months when the Bux index rose 105 per cent. Share prices looked set to equal the 1996 record when they rose 130 per cent, the fastest growth on any exchange in the world.

But a correction in August led to a sharp fall in the index on the perception that amid general euphoria some shares had become overpriced. However, the real turbulence came in November as developments in Asia hit global stock markets. "The Bux was swung up and down like a yo-yo but the string was not here but in New York," a foreign analyst

The mood in Budapest is critically affected by the performance of the Dow Jones index and the behaviour of the US dollar, especially in relation to the D-Mark. Zsigmond Jarai, chairman of the stock exchange and director of M&H Bank, said that the However, Nomura recently steep and almost continuous speculation by small domestic investors and some bro-

"Unfortunately, there was per cent increase in lines not enough attention to fundamentals," he said. "Too many brokers didn't look at individual companies, but at is already on the horizon. A Hungarian stocks in general. They all went up together and the market overheated. I hope it will now stabilise, and not go up so quickly again and restart specula-

> Hungarian officials and analysts say they are not too worried by the turbulence. pointing to the fundamental strength of the Hungarian economy and the strong balance sheets of many Hungarian companies. The fact that the forint was largely unscathed by the gyrations on the stock market was seen as another sign of underlying stability.

Nonetheless, there has been concern that with more than 70 per cent of the total capitalisation of the stock exchange in foreign hands, Hungarians have too little

omy. Worry is focused on the investment funds, some of which are accused of having difficulty telling one central European country from another. "Vaclav Klaus is forced out in Prague, and they think that is reason to be worried about Budapest. it's ridiculous," said one dis-

gruntled commentator. According to Erika Schalkammer, head of the stock exchange's trading department, there has been considerable emphasis recently on encouraging domestic investment in the belief that "the involvement of more domestic small investors will make the market safer and less volatile." With elections due next May, the government also believes that involving more ordinary Hungarians in the privatisation process is a good idea politically.

When a large tranche of shares of Matav, the telecoms group, were sold in November - by far the biggest share sale in Hungary to date - 6 per cent of equities were eventually placed in the retail category as 168,000 Hungarians bought shares. The original offer was three times oversubscribed. Small investors were encouraged by new rules which allowed them to pay for their shares in instal-

growth over the next five months to August led to made great strides in what Mr Jarai calls "all the small things that go on behind walls but which make the rules are similar to those of exchange work". The turbulence in November "was a very big test of our computer and settlement systems for example, and they worked very well," he adds.

Traders say that Keler, the local depositary, is also much improved and the settlement system is now quite adequate. There are still challenges ahead, however, including the move to a fully dematerialised environment and the right of settlement houses to make accounts in foreign currencies.

Ms Schalkammer admits that getting Hungarian companies to accept stock exchange rules of transparency and disclosure is not always easy: "For 40 years, company accounts were virtually secret, and companies and individuals spent much of their time hiding from the state," she says.

But Hungarian officials stress that Budapest is ahead of some other central European capital markets Mr Jarai.

of its rules gives it an advantage in attracting foreign investment: "Category A companies have to give quarterly reports; smaller companies twice a year, and we allow no deviation from that," says Ms Schalkam-

To change companies' mentality takes time, education and younger people with both the enthusiasm to make the market work and understanding of why such rules are necessary to make it work. "Fortunately, Hungary has many such young

people," she says. Mr Jarai hopes that recent technical and regulatory improvements will lead to more Hungarian shares being traded in Budapest rather than on foreign exchanges. Three years ago, about 60 per cent of shares were traded in Budapest but this has fallen to 56 per cent, due to lack of liquidity, less information and lower technical sophistication.

Developing the rules and procedures for the Budapest stock exchange has involved

clash between Anglo-American and continental European models, but the balance has come down firmly on the Anglo-Saxon side. Mr Jarai says: "I am a bit of a eurosceptic over this. investment is dominated by the Americans, and they tend to buy shares where the

the IJS." The Budapest exchange had a different origin from other east European exchanges which were formed by governments in the early 1990s, after the fall of communism. The Budapest exchange, by contrast, was founded in 1988 by forward-looking state managers and officials, says Ms Schalkammer. "First, we had market activity and then we developed the exchange. As an organisation we have always been initiators." she

"Because we had to create things from scratch, we are ahead of some EU countries both in regulations and tech-nology. That is the case in the stock exchange and some banks which have been able to leapfrog ahead. It is also true in vital areas such as pension reform, where some EU countries could learn from us, rather than the other way round," says



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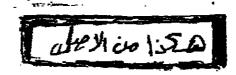
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POLITICS • by Anthony Robinson

ectorate may cold-shoulder fractious opposition

Opposition parties may have left it too late to establish their credibility

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One of the golden rules of democratic, multi-party politics is that opposition parties do not win elections; ruling retrieve the situation. As the parties lose them. Six months before voters go to the polls at the end of the current four-year parliamentary term in May, the strength of this adage is very much apparent in the world of Hungarian domestic poli-

Despite the deep unpopularity of the Hungarian Socialist party-dominated coalition government for

much of the past four years, reduced to a squabbling ists the broader parliamen- campaign with strong media Federation of Young Demo- ing the elections. At the end once disaffected voters come the divided and fractious opposition parties failed to establish a credible alternative leader or forge the kind of alliances required to establish credibility as an alternative government coalition.

They have almost certainly left it too late to economy strongly recovers, the opinion polls show a steady recovery in support for the Hungarian Socialist Party which re-emerged as the largest party in the 1994 elections, sweeping aside the leaderless and divided Hungarian Democratic Forum. This was the conservative alliance led by the late Joszef Antall which won the

shadow of its former self. The HSP won 33 per cent of the votes in the first round of the 1994 elections and ended up with 54 per cent of the seats in the 386seat parliament; an absolute majority. It was unwilling to govern alone, however, and the party, led by Gyula Horn, offered important cabi-

net and key committee posi-

ministry, to the liberal Asso-

They came second with nearly 20 per cent of the vote and 18 per cent of the seats. After much soul-searching the Free Democrats, who doubted their powers of survival in opposition, accepted the role of junior coalition 1990 elections but is now partner. This gave the social-

positions, the Free Democrats also control several Hungarian cities, including Budanest, the capital, Gabor Demszky, the mayor, is one of the most popular politicians in the country but is more interested in running the city than seeking tions, including the interior national prominence.

Whether the Free Demociation of Free Democrats. crats will gain or lose from their association with the Socialists is one of the big question marks hanging over next year's election results. The party traditionally enjoys support from intellectuals and professional people. It is capable of running a skilled election

they craved. Apart from for having pushed the Social-their central government ists to adopt the liberal economic and social policies which are starting to prove so successful.

Having shifted so far to the centre, however, the HSP is now seen by many middle class professionals and business people as a much more reformist and respectably democratic party than it seemed in 1994.

Despite their uneasy marriage in government, the **HSP** and the Free Democrats are standing separately and will be fighting against each other for votes and seats. But they may join forces again after the election.

This election could also decide the fate of Fidesz, the

tary and national support exposure and claims credit crats. The party, which is of the day, the suspicion is polling day. Orban, the now youngish rather than young, but still most charismatic of Hungarian politicians. The trouble with fidesz is that everybody likes them but few

> enough to vote for them. This has not been made easier by the ambiguity of the party's pre-electoral manoeuvring. On one hand, Mr Orban is setting himself up as the leader of the antisocialist opposition.

people take them seriously

On the other hand, there is widespread suspicion in Budapest political and intellectual circles that Fidesz is desperate to get into power, no matter what it says dur-

INTERVIEW WITH GYULA HORN • by Anthony Robinson and Anatol Lieven

aimed at the younger gener- that Fidesz would be willing ation, is led by Viktor to get into bed with the Socialists after the elections if that was the only way of leaving the frustrating ers and the European Union obscurity of opposition.

> holders Party led by Josef Torgyan. The Smallholders flourished on a diet of vitriolic attacks on the coalition are unlikely to earn enough and populist pledges of lower taxes as voters tightened at all. their belts and cursed the Socialists for reneging on their electoral promises.

Now that the economy is on the mend, however, passions are cooling and the well-oil Socialist party electoral machine can be expected to garner its share of Thuermer.

Meanwhile the Smallholders, well supported in the small towns and rural areas where suspicion of foreignis strongest, recently forged Another avowedly anti-so- an electoral alliance with the cialist party is the Small- hopelessly divided Christian Democrats. The Christian Democrats fear that without such a tactical alliance they votes to get into parliament

> This is a fate which also haunts other fringe parties from the ultra-nationalist Hungarian Justice and Life Party, headed by Istvan Csurka, the writer, to the rump communist Workers Party led by



PROFILE OF GYULA HORN, PRIME MINISTER • by Anthony Robinson

Great political survivor

Horn has become is improving Hungary's financial health. The U-turn more at ease with his new role as an economic and political reformer

Gyula Horn, prime minister sis in Hungary would furand leader of the Hungarian ther complicate US and Nato Socialist Party (HSP), is the efforts to bring peace to Bosgreat survivor of Hungarian ma and other parts of neighpolitics. The odds are rising bouring former Yugoslavia. that he will pull off another extraordinary election victory in six months' time could head off a crisis which when voters deliver their would destroy Hungary's verdict on four years of Socialist and liberal Free and the EU in the first

Democrat coalition rule. being forced into a policy ister and Gyorgy Suranyi as affordable health, education U-turn in the spring of 1995 president of the National and social security systems to avoid being sunk by a Bank. They quickly drew up which the Socialist party Mexican-style debt and currency crisis, has spent the tion and tax increases and past three years carrying out deeply unpopular policies diametrically opposed to those of gradual and painless reform pledged by the Socialists during their 1994 election campaign.

The gain for such pain, however, becomes clearer by the day as a rapidly expanding economy churns out exports against a background of rising foreign and domestic investment and higher productivity and

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Mr Horn gives the impression of a man who embarked rather reluctantly on a difficult and largely uncharted path in 1995, obeying his political instincts rather than his rooted beliefs. But he has become more confident and more at ease with his new identity as an economic and political reformer as the evidence strengthens that the unfamiliar medicine of market-orientated policies

began with a blunt warning by two senior US officials early in 1995 that Hungary was heading for a precipice. Washington was concerned that a Mexican-style debt cri-Mr Horn was told that

only quick and drastic action chances of entering Nato round. So he brought in The ruling coalition, after Lajos Bokros as finance mina tough package of devaluaspending and subsidy cuts deliberately designed to depress domestic spending and shift resources to export

and debt reduction. Mr Horn swallowed hard as Socialist sacred cows were sacrificed But with more than three years to go before the next elections, he put his unwavering support ment in state and party behind the stabilisation programme. He ignored protests from party conservatives and the trade unions and injected new urgency into the drive for rapid privatisation, foreign investment and banking and other institu-

tional reform. To his surprise, the act of following market-orientated policies has liberated the government from many worries by taking the bulk of the economy, including the banks, out of state hands. Furthermore, the new wealth created is starting to provide the financial



resources needed to build the kind of modern and and voters favour but which the old state systems signally failed to deliver.

It has been an extraordinary on-the-iob re-education for a man who was born in 1932 and received his higher education in Marxist economics and finance at Rostoy on the Don in Stalin's Russia of the 1950s - the prelude to a lifetime of involvework. In 1956, as a 24-yearold communist, he was on the Soviet side of the barricades in the fight against "counter-revolution" as Moscow called the attempt hy Hungarian nationalists to break free of Moscow's grip.

The reward for his communist loyalty came three years later when in 1959 he began a 30-year dalliance with foreign affairs as an attache at the Soviet relations department of the Hungarian foreign ministry. This was followed by diplomatic Yugoslavia in 1969, a year record.

after the Warsaw Pact invasion of Czechoslovakia, he became head of international relations at communist party headquarters in Budapest

where he stayed for 15 years. As the party divided in the 1980s between supporters of Janos Kadar, the ageing and cautious party boss, and reformers such as Miklos Nemeth, Mr Horn sided with the reformers and became foreign minister. While most of the reformers went abroad or into business and finance after the revamped socialist party's electoral defeat in 1990, Mr Horn took on the thankless task of leading the

party in opposition. Given Mr Horn's background, the party's "go easy with reform" line in the 1994 election campaign was prob ably not quite as cynical as it looked to those who understood better the objective difficulties of the transition process. The looming constraints posed by a rapidly growing domestic and foreign debt burden were also not so obvious then as they became after the elections.

Mr Horn spent the first nine months in office looking for easy options and agonising over "selling off the family silver". At the end of 1994, he blocked as "too cheap" the sale of a group of state hotels to a US investor. But when the Mexican crisis suddenly revealed ry's financial position, he

rose to the occasion.

Foreign investors have already voted on his policies with their pocket books. pouring billions of dollars into the economy. In May it will be the voters turn to postings to Bulgaria and give their verdict on his

our supporters believe that take the strain and resigned.

'A recent poll shows that our supporters believe that the sacrifices were worth it'

In his large office beside the Danube in the gilded mock-Gothic pile of the Hungarian parliament last month, a confident and relaxed prime minister reflected on the opening question of whether he expected punishment or praise from the electorate next May.

"People criticise us now. and they'll continue to criticise us if we are re-elected in 1998," he said. "No one who goes into politics should expect gratitude. People have suffered. No question about it. It is we who should thank them for putting up with us and ensuring that the govern-

ment is still standing." After three years in the doldrums, opinion polls show that voters are switching back to the Hungarian Socialist Party (HSP) and morale within the party itself is also rising. "A 37,000 members shows that finance minister, could not many entrenched privileges

the sacrifices were worth it. They urge us to persevere with our policies for stable growth and not dissipate the results," Mr Horn reveals.

"It is important to remember that our supporters are mainly poorer people; those who suffered the most from all the cut-backs. The party mood shows understanding that the tough policies were necessary and will ease our entry into Nato and the EU. But we would have had to take them anyway in the national interest or face national bankruptcy."

Critics say Mr Horn remains an old-style communist at heart, a man who leads from behind and is too ready to sacrifice ministers and officials if that is required to take the heat off himself and the government. They cite as a classic example the way an official in the privatisation agency, and then the privatisation minister, were sacked last year without a thorough investigation into allegations of suspected pay-offs to party

funds "It is true that several But key ministers - the foreign minister, the defence and interior ministers for example - have stayed the course. Meanwhile. I am getting ready to meet the fourth Polish prime minister

"The last years have been stressful and I feel rather nostalgic about some of my former cabinet colleagues. But far more than in Poland and the Czech Republic, we implemented a tough financial stabilisation programme while simulta-

since I took office," Mr Horn

neously carrying out difficult structural and institutional reforms of the UK's new Labour governsocial security, education, health and pensions systems and modernising the administration of the state. Not all could stand the strain." With a flash of pride and a

hint of passion he continues: "No other country has carried out these things simultaneously as we have. Now we are seeing the results. This year is the first in which living standards have risen after falling for six of the last seven. At the same

which used to be the almighty re-distributor of wealth and favours.

"Many Hungarians and other central Europeans still hanker after the 'mama state', and powerful special interest groups reflect this. But Tony Blair is saying similar things in Britain about the need to transform the state and I have been impressed by his ideas of a state which concentrates on doing those things which only the state can do. I agree with him."

Mr Horn links a welcome for the modernising and more Euro-friendly attitude of the ment to reaffirmation of the government's passionate desire to guarantee Hungary's own future stability, prosperity and security through full membership of Nato and the EU as soon as

"This is the foundation of our hopes. The next five years will be decisive for the fate of the country," he savs. He makes no secret that his ambition is to be still there, in the prime minrecent inner party poll of ministers, including the time, we have curtailed ister's office, steering the

THIRTY YEARS FOR THE EXHIBITORS

The annual international exhibitions provide the opportunity for various branches of trade and industry to present their products and services - on a continuous basis - to the outside world in accordance with market demands. For the past 30 years Hungexpo Co. Ltd. has been a dominant participant in Hungary's 155-year history of fair organization. Our company, founded in 1967, is the most significant marketing-communications company in the country as regards the organization of international exhibitions at home as well as abroad.

The venue for local professional events is the Budapest Fair Centre, situated over a 30,000 square metre indoor and 20,000 square metre outdoor exhibition area, Hungary's largest and only such fair site providing a wide range of services for exhibitors and visitors.

In accordance with Hungarian and international market demands, during the exhibitions ever more conferences, lectures and business meetings are organized. Marketing forums linked to the themes of the exhibitions also contribute to increasing the standard and professional recognition of these programmes.

As a result of specialization that has taken place over the past few years in the Hungarian economy, a whole range of professional organizations and interest representations have formed which interpret and assist the interests of the different trades and industrial branches, including interests related to the exhibitions. This tendency, too, has contributed to the gradual specialization of exhibitions in Hungary, in the launching of which Hungexpo has played an outstanding role.

However, in order to be able to transform these special exhibitions into genuine professional forums, there is a need for the assistance of the professional organizations. Having recognized this when starting the programme of specialized exhibitions, Hungexpo sought the establishment of contacts with trade organizations and chambers. Consequently trade organizations and chambers take part in the work of the professional commit Hungexpo exhibitions, in the organization of the professional programmes, and the development of international contact relations.

The majority of the 30 exhibitions organized by Hungexpo are specialized exhibitions of particular significance in the development of economic life as well as the building and expansion of international economic relations.

At our exhibitions more than 50% of registered visitors are decision-makers, and an additional 30% are those interested in the bringing of decisions. Our exhibitions and fairs accurately mirror the openness of the Hungarian economy as well as the actual processes being realized in international business life: at our most successful programmes, as a result of foreign capital investments, the proportion of international corporate and interest participation reaches 70-80%

The various programmes organized by Hungexpo Co. Ltd. are of an international character, and 20% of the exhibitors are foreign nationals. The proportion of professional visitors arriving from neighbouring countries approaches 15%, which also indicates that the exhibitions of Hungexpo Co. Ltd. are internationally known and acknowledged events.

Hungexpo was a founding member of UFI, and is a member of InterExpo (the International organization of companies dealing with collective national exhibition disWith its extensive international system of relations and network of representatives our Company - both as regards exhibitors and as regards professional visitors alms to become an up-to-date marketing-communications centre in Central-Eastern Europe, thus promoting the rapid development of the economy

In the first half of 1998 Hungexpo Co. Ltd. is to stage 14 exhibitions at the Budapest Fair Centre. The series of programmes will open - between 1-3 March - with our UKBA exhibition (one of Central Europe's most prestigious food industry reviews) at which in addition to the confectionery trade, the baking industry, meat processing industry and the branches of gastronomy will present

March 1998 offers a truly rich exhibition programme. Between 11-15 March we are going to organize AGRO + MASHEXPO, an agricultural and agricultural machinery exhibition, followed, after a successful start, by the SECUREX security exhibition which found its way on to the exhibition palette of Hungexpo in 1997.

These two specialized exhibitions will be followed by a whole range of fairs designed for the general public. Between 12-25 March we are going to organize the exhibitions BEAUTY AND HEALTH and the related KARAT, primarily targeted at the general public, and then our blannual fair which will appear with a new name in 1998, ART BUDAPEST. Between 25-29 March the main role will be taken by leisure and sports: our exhibitions TRAVEL, SPORT and the BUDAPEST BOAT SHOW are sure to attract thousands of visitors to the Budapest Fair Centre. in parallel with these shows we will also present FeHoVa, the International exhibition on weapons, hunting and fishing, organized for the first time in 1998 by Hungexpo Co. Ltd. In accordance with market demands, the annual CONSTRUMA building industry exhibition and DECOR-STONE (organized ever other year), an industrial exhibition of ornamental stone, can be seen by visitors ween 21-25 April 1998.

The month of May will be that of the specialized fair. Organized jointly by Hungexpo Co. Ltd. and ECI Expo Concept International GmbH, the IFABO Budapest computer, communications and office organization fair awaits - between 5-9 May - experts and the general public Interested in this subject. This will be followed by INDUS-TRIA staged between 19-23 May, the specialized fair of investment goods which is one of Europe's most significant industrial fairs and a prestigious encounter forum for

The exhibitions of the Budapest Fair Centre are of determining significance and outstanding in the economic life of both Budapest and Hungary as a whole, and owing to the country's geographical position - these international programmes fulfill an important role in the economy and business life of the Central-Eastern European region too.

> Mrs. Tóth, Zsuzsa Pásztor Director General, Hungexpo Co. Ltd.





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Gedeon Richter

Old Soviet market at core of sales

The dream of recovering the old Soviet market is one which continues to haunt many a Hungarian

Gedeon Richter, one of Hungary's leading acentical groups, is a prime example. The company, which is majority-owned by western institutional investors but managed mainly by Hungarians, has kept the former Soviet market at the core of its sales and future development

Under the old Comecon division of labour, Hungary was allocated a disproportionately large share of drugs production for the huge Soviet market.

The market slumped as the Soviet Union integrated but the share of Richter's production going to the CIS has risen from 21 per cent in 1992 to 29 per cent in 1996.

Overall sales rose from \$166m in 1995 to \$247m last year when profits reached \$45m. Richter concentrates on

selling to the 70 per cent of the Russian population who can just afford medicines but not the more expensive western-produced brands, according to Michael Stevens, the finance

Richter has largely switched from creating its own medicines to producing "branded generics." These are copies of standard drugs produced elsewhere but marketed

under Richter trade marks. In response to the collanse of the state health system in the former Soviet Union, Richter has greatly strengthened its own distribution network. It now has 31 inventory Russia and is building its

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Another example is

Zalakeramia, a ceramics

company, which this year

in Croatia and Romania.

Richter is successful in

health system crumbled

people have had to buy

They tend to opt for

those brands which are

known and trusted – "if

they don't know, they'll

ask the chemist for advice

just like Britain in the

But Richter does not

the former Soviet bloc.

recent years, it is now

Although sales to North

America have dropped in

intend to restrict itself to

1950s," he adds.

their own medicines.

acquired substantial plants

Mr Stevens believes that

Russia because as the state

AGRICULTURE • by Anatol Lieven membership issue casts a shadow rassed by this rich harvest." EU as such, they could be a prices are barely a tenth of gary must maintain a ban on has some of the most pro-

Most Hungarians are sceptical about the EU and many farmers are explicitly hostile

In the corner of a barn in the

own factory south of Monsonszolonok lay a huge Moscow, as a joint venture with local Russian heap of barley, with a few strips of plastic sheeting pro-It will start with a tecting it from the chilly packaging operation next side, where ancient commumaking finished products nist-era machinery rusted from 1999. quietly in the rain.

The company is also Janos Kranicz, chairman looking for joint ventures of the local co-operative, said gloomily: "This is best qualand greenfield sites in ity barley, but soon it will be Slovakia. It is joining a fit only for cattle feed. It small but growing of for it, and we have nowhere Hungarian companies proper to store it. So most of acquiring production facilities in the former it will be lost." socialist countries.

Hungary this year produced more than 13.5m tonnes of grain, but wet mean that less than half of it in internal politics. is fit for human consump-

As Frigyes Nagy, the agrithe government is embar-

facilities, but that is a very small sum compared to the scale of the problem.

Agricultural experts say that because of its location, far from seaports. Hungary west Hungarian village of should concentrate on boosting high quality agricultural tile. exports to western Europe. Hungary consistently runs a in February and March. large surplus in its agricul- were against government damp seeping in from out- tural trade with the Euro- plans to impose taxes and pean Union - but officials and farmers alike say that producers, among them they could do much better if farmers. "If we had to pay they had better infrastruc-

ture. The subject of Hungarian agricultural reform is becoming increasingly domiaccession to the EU; as with most other applicants in the past and probably the future, it is likely to be one of the most contentious fields both in negotiations with the European Commission and

This year, the only partially violent demonstrations ital for investment. culture minister, admitted: protesting farmers, and farmers, have said that and many farmers such as

The government allocated foretaste of more to come as the EU average, allowing for-Ft700m for extra storage the effects of future member- eign ownership would set off ship become more apparent an orgy of foreign buying to farmers. In contrast to and speculation, with much their enthusiasm for Nato land being held unused for opinion polls show that most Hungarians are sceptical EU accession. about the EU, and many

farmers are explicitly hos-The first demonstrations, social security fees on small any more taxes, we would simply go bust," Mr Kranicz

The second wave of pro-tests has been against a protakes time to find a market nated by the question of posed law allowing busiforeign-owned ones, to own agricultural land. At present, only private individuals can do so and everyone else has to rent.

> that land sale is essential to raise desperately needed cap-The opposition, and most a bargaining counter." He

sale when prices rise after

Opinion polls suggest that a majority of farmers share this view.

A second argument is that sooner or later Hungary will have to equalise its rules for Hungarians and foreigners to meet EU requirements. To this, Bela Glatifelder, an MP for the liberal opposition party Fidesz, replies: "the way we read it, the EU doesn't want Hungarian agriculture fully to integrate into that of western Europe even after we join. It looks as if they want to keep trade barriers for some products, as well as restrictions in other fields like movement

Mr Glatifelder added force-The government argues fully that "In these circumstances, it is perfectly legitimate for us to keep special rules of our own, at least as

foreigners owning land until Hungarian prices reach at least 70 per cent of the EU average.

The threat of the EU making special rules for new at present could not distribapplicants is one that greatly ute EU subsidies properly concerns the Hungarian gov-

According to Laszlo Vajda, deputy agriculture minister, "A key question is whether there will be a transition period after accession, especially in the field of agriculture. There is nothing about : much land they own, how this in Agenda 2000, but in discussions we have gained the impression that this would mean the EU keeping border and trade controls against Hungary, as well as price equalising measures and distinctions in levels of subsidy."

Mr Vajda went on, "This would be second-class status in effect, and it makes us anxious. On the other hand, it is true that meeting EU norms by the year 2002 will be a huge task for us."

EU diplomats say that Hungary is already well up

gressive officials in central

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Europe. However, as Mr Vajda admits, Hungary is far behind institutionally, and even if these were available.

A key precondition for such measures is the creation of a comprehensive land register. But this is not as easy as it sounds.

Many farmers object to telling the government how they farm it, and how many people they employ, precisely because they know that it would then be used as a basis for taxation, which up to now they have largely evaded. Much of Hungarian agriculture operates in the grey market.

As both EU and Hungarian officials know, none of this is likely to be easy. As one of them said: "You know the amount of trouble farmers can cause in EU countries. Well, just imagine if we were like Hungary. That means three times as many while neither was about the because Hungarian land Mr Kranicz argue that Hun- of health and safety and also ical weight."

INFRASTRUCTURE AND UTILITIES • by Anatol Lieven

Progress - but still a long way to go

The question of how rigidly the EU norms are imposed will be a contentious issue

building a new plant in Over the next five years. Budapest to produce pharmaceuticals up to Hungarian policy towards exacting American the development of infrastandards - whereas up to structure and utilities is now it has just produced going to be largely driven by the need to meet European chemicals for the US Union conditions for acces-"When this plant is

finished we will be Lending and assistance potentially world from EU institutions such as the European Investment suppliers, just as we are already the leading Bank (EIB) and the Phare supplier in eastern Europe programme is now increasand the CIS, a market of ingly aimed at helping Hun-400m people," says Mr gary and the other applicants adopt the acquis autaire - the rules Anatol Lieven and obligations linked to the

Open doors. Open hearts. Open minds. Hungary

Budapest a city with a thousand faces

made greater progress than side". its neighbours on both improvement of services and but still has a very long way to go. The question of how rigidly the EU norms will be imposed on Hungary is likely to be one of the most contentious issues in the accession negotiations.

for transport, communicathe most serious pollution treatment, "developments tural fund". are in the pipeline, partly thanks to privatisation and say that Hungary has foreign investment. But it is obvious that given the level of our budget, we cannot possibly reach the acquired single market and wider EU level by 2002, so we will need

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of rivers, the Danube, where

membership. Hungary has concessions from the EU Dr Lotz stressed: "It is pos-

sible to reach total EU conenvironmental protection, formity in environmental standards in eight years, but it will cost a great deal of money. We estimate that these programmes will cost the central budget around Ft25bn every year. This year, the sum allocated in the bud-Dr Karoly Lotz, minister get is about Ft10bn. The difference will have to be made tions and water, says that up by outside assistance and loans. And after we become problem is vehicle emis- an EU member, we also hope sions. On sewage and water for help from the EU struc-EU diplomats in Budapest

> already achieved EU standards in its regulations concerning water management and sewage; the problem is implementation. And the same is true of air pollution. In the negotiations, the EU side is likely to aim at about 70 per cent compliance with EU norms - although even because there are some EU states such as Greece which have still not managed 60 per cent compliance.

The privatisation of water and power utilities has gone further in Hungary than anywhere else in the former communist bloc, and foreign companies have bought an important share. In November, Compagnie Générale des Eaux and Berliner Wasserbetriebe won the tender for control of Budapest's sewerage system, for a so far undisclosed price.

However, the efficiency of the power generating sector is still well below west European standards. Published figures show network losses at between 10 and 16 per cent, compared to 3 per cent in Germany.

Hungary's national electricity distributor, MVM, has announced two tenders for a total of 2.000MW of new generating capacity, to be con-

Construction in Budapest: Hungarian policy towards the

structed by 2005. Thirty companies have made technical bids, and the results are expected in the middle of

Interest therefore remains high, despite frequent complaints that the government has damaged profitability by not increasing electricity prices to levels which foreign investors believe they were promised.

The bulk of Hungarian nerating capacity is now in foreign hands, with Tractebel, RWE, AES and other international giants all represented. Powergen of the UK is investing \$261m on a new power station on industrialised Csepel Island, just down the Danube from the heart of Budapest. Powergen has signed a 20-year power purchase agreement (PPA) with MVM, including an

world prices and forint depreciation which western investors hope will be the model for future agreements. Powergen's experience at

Csepel illustrates the enormous opportunities for investment and improvement in this sector. Powergen's existing 40MW coalburning power station at Csepel used to employ 600 people. When the new station comes on line in the year 2000, it will employ 50 people but generate 385MW.

The development of Hungary's road network reflects the new geopolitical and economic orientation of the country. One motorway, the M1, has already been constructed. It links Budapest to Vienna. Three more are planned to connect with the Ukrainian, Romanian-Yugoslav and Croatian-Slovene automatic formula linked to borders by 2007 and the EIB

and the European Bank for Reconstruction and Development (EBRD) are expected to help finance them. According to transport ministry officials however the M7 to Slovenia and Italy is likely to be completed by 2004 but the motorways to the east may not be finished until well after 2007. "There is no point in paying enormous sums for road construction when the level of actual or likely traffic does not justify the cost," one official said. "The Slovenes and Croats are also rapidly building their own roads to join

The failure of the Ukratnian economy to develop faster is a source of frustration in Hungary. Many believe that an economic recovery in Ukraine would provide great opportunities for Hungary because of old Comecon (Council for Mutual Economic Assistance) links and marketing networks, and

Faster growth in the Ukraine would also help Hungary's most depressed region, the rustbelt north-east around Miskolc and Debrecen near the Ukrainian border, This region has been hadly hit by the collapse of Comecon. which contributed to the steep decline of its heavy

As more and more Hungarian industry develops west of the Danube closest to the EU countries which are its main markets and source of supply, local com-Hungarian officials see a danger that the north-east could become trapped in a permanent cycle of disadture feeding off each other, repeating the experience of depressed regions in more developed countries, particu-

PROFILE Videoton

Striking example of switch from arms manufacturing

Hungary's surge in export-led growth has been due above all to its success in attracting the multinationals. But the fortunes of Hungary's own large manufacturers, once

among the most advanced in the Communist bloc, have been considerably more Some have survived by becoming suppliers to the

multinationals. Others have succeeded in keeping or expanding their old niches Some have gone under altogether, and some, are hanging on by their fingernails. Among those which have

become sub-contractors to the multinationals, perhaps the most successful is Videoton. The company is also a striking example of the transformation of a company centred on the military industry.

From the start it concentrated on arms production - as a munitions plant before the second world war. The great banks of earth built to limit the blast from an accidental

explosion are still in place around the huts of abandoned munition production lines at the company's main plant just outside the western Hungarian city of Szekesfehervar.

Once a Hungarian

flagship, and a key supplier of electronics and computers to Warsaw Pact armies. Videoton still lends its name to one of Hungary's leading football teams. It formed its first joint venture with a western company in 1984, as Hungary led the way among the communist countries in opening to the West.

But its troubles began as early as 1988, when Soviet President Mikhail Gorbachev's cuts in military spending led to drastically reduced orders. It went into liquidation in 1991, and was bought by a consortium led by Gabor Szeles, one of Hungary's most dynamic

Since then, in a dramatic transformation, Videoton has become a leading sub-contractor for Philips Panasonic, BMW, Alcoa and other multinationals with plants in the vicinity. Antal Szabo, a manager at the Szekesfehervar plant, says: "We don't want the high cost and risk of

marketing our own products. Our principle now is to go for low-risk production until we are stronger, financially and technically. But in 10 or 15

years, I hope we will be

making our own products

Mr Szabo said that although Videoton is no longer producing anything for the former Soviet market we hope to set up a factory in Russia or Ukraine to manufacture simple car parts when their economies pick up."

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